

C 108

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE
BRITISH COMMONWEALTH

CONTENTS

Germany Rearmed

Commercial Aviation in Great Britain

South Africa and Empire Defence

Washington, the West and the World

The Last Partition of Africa?

Economics and War

India : The Ferment of Reform

Mr. de Valera's Dilemmas

Great Britain : Silver Jubilee—Economic Progress and
the Budget—Mr. Lloyd George

Canada : Canada's "New Deal"—Municipal Debts

Australia : A Political Miscellany

South Africa : Southern Rhodesia and the Union—The
Budget

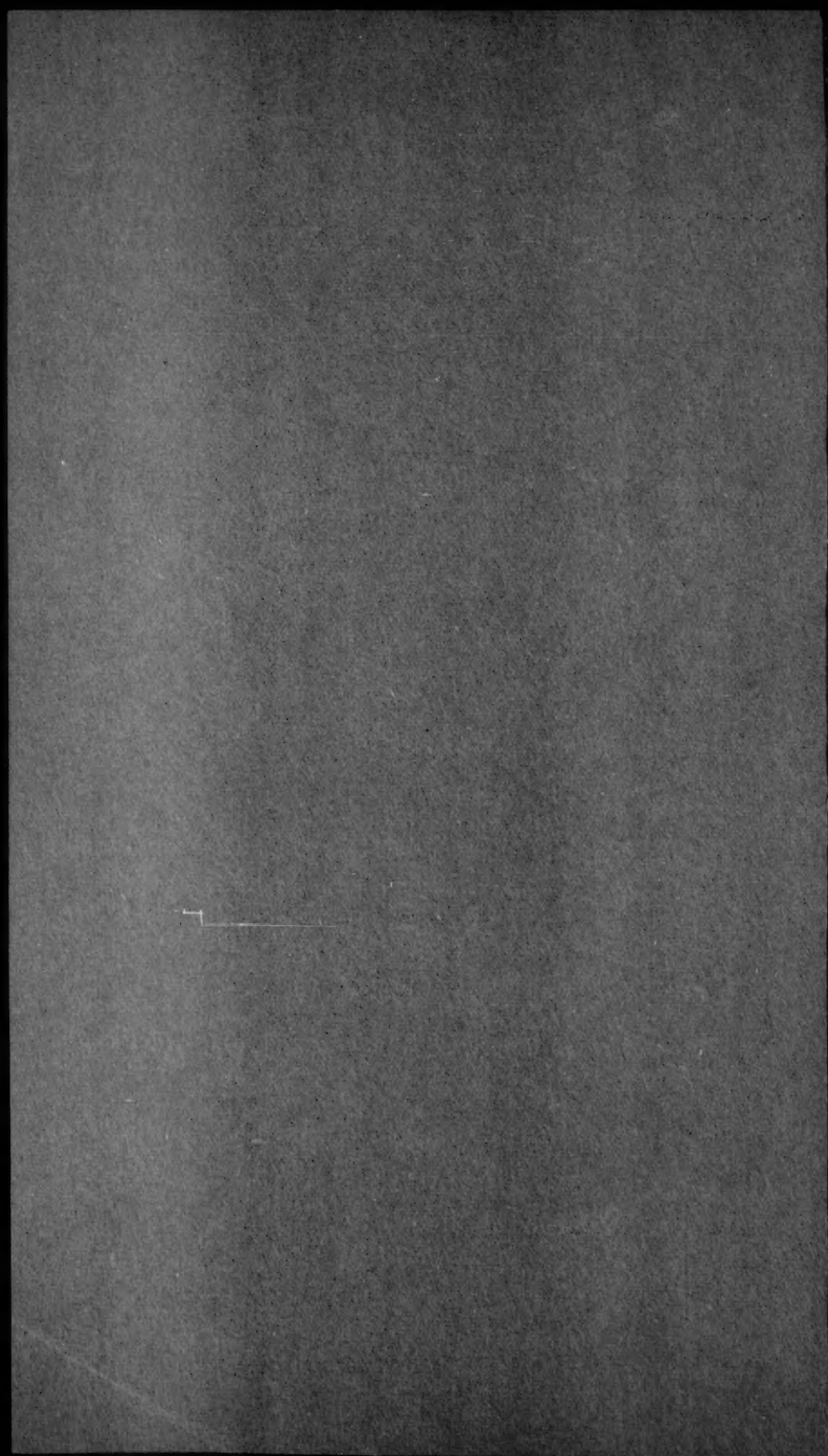
New Zealand : Mortgage Finance—Nationality of
Women—The International Outlook

Arthur Richmond Atkinson

JUNE

MCMXXXV
Price 5/-

NUMBER 99



GERMANY REARMED

I. LONDON, BERLIN AND STRESA

SINCE the last number of *THE ROUND TABLE* appeared, dealing at some length with Germany and her neighbours and with British Commonwealth policy, events have moved with great speed. The period began with the Anglo-French declaration of February 3, which attempted to find a new approach to European pacification by proposing certain matters for discussion with Germany—the Eastern pact for mutual assistance, a treaty of non-interference in Austria, a pact between the Western Powers for mutual assistance against an aggressor in the air, and Germany's return to the League of Nations. The contemplated general settlement, to be "freely negotiated between Germany and the other Powers," would include new agreements for the limitation of armaments which, as far as Germany was concerned, would replace Part V of the Treaty of Versailles—the part which provides for German disarmament. It was announced immediately afterwards that Sir John Simon and Mr. Eden would visit Berlin to explore the ground with Herr Hitler.

A week or so before the arranged date a British White Paper was issued asking Parliament for a not very large addition to British expenditure on armaments—£10,000,000—on the grounds that the armaments of almost all other countries were going up and that the League of Nations could not be relied upon for security. This document, largely because it seemed to throw over the League, aroused great indignation in Liberal and Labour circles in Great Britain. But coming in conjunction with the

Germany Rearmed

announcement that the Russian army now numbered 1,000,000 men and possessed a large and efficient air force, and the French Chamber's acceptance of a Bill to keep conscripts with the colours for two years in order to maintain the army's strength during the lean period of the "war-babies," the White Paper caused far greater effect in Germany. It produced Herr Hitler's diplomatic "cold" which led him to ask Sir John Simon to postpone his visit, and, with the other factors mentioned, it led to the dramatic decision, taken (so it is said) on the Führer's own initiative without prior consultation with the generals, openly to defy the disarmament clauses of the Treaty of Versailles by restoring conscription in Germany, as the basis for an army of 36 divisions of some 550,000 men. Herr Hitler had decided that he was not going to enter the negotiations with tied hands while everybody else had taken up their positions, and that he would solve the problem of "equality" for Germany by taking it unilaterally without further discussion.

This act, which was shortly followed by Signor Mussolini's announcement that the 1911 class of reservists would be called up, making about 800,000 soldiers under arms in Italy, produced an immense sensation in Europe, especially among Germany's neighbours. They had been well aware, of course, that German rearmament had been proceeding for some time, but here was a proclamation, not only that Germany had escaped from the disarmament cage of Versailles, but that she intended to possess what would probably be the most powerful army in Europe. Herr Hitler's speech caused less shock in Great Britain. Public opinion was surprised, after Herr Hitler's earlier moderation, at the size of the army demanded, but it had long been convinced that Germany's neighbours, and especially France, could never be induced to bring about German "equality" by disarmament; and it considered that the negotiations for an all-round European settlement might be simplified if they started from the basis of arms equality

London, Berlin and Stresa

instead of being concerned about the terms on which equality should be granted. Accordingly the British Government, with the full approval of Parliament though somewhat to the alarm of France, Italy, Russia and the Little Entente, decided that Sir John Simon should proceed with the visit to Berlin.

His visit disclosed that the Führer's ideas of a new European settlement were more ambitious than had been fully realised. He would have nothing to do with the proposed Eastern Pact, partly on the ground that Russia and Germany did not possess common frontiers, partly because he was determined not to commit Germany to defend a communist Russia which he distrusted or to give Russia the right to move troops or aeroplanes to the German frontier in the name of mutual assistance. But he was willing to sign with all his eastern neighbours (except Lithuania until the Memel affair was cleared up) pacts of non-aggression and of consultation in the event of aggression by third parties, to agree to a pact of non-interference in Austria, if a practical definition of the word "interference" could be contrived, to abolish any offensive armaments that all the other Powers would abolish, to be content with equality in the air with France and Great Britain, and with 35 per cent. of the British navy, and to join in the proposed "air Locarno." On these conditions, and provided the disqualification of Germany to hold a colonial mandate was removed, he would return to the League.

Mr. Eden then went on to Moscow, Warsaw and Prague. In Moscow, speeches and regal hospitality showed how anxious Russia was about attack from Germany; she saw security, her spokesmen explained, only in the formula "peace is indivisible"—that is, in an all-round treaty of mutual assistance against an aggressor, under the ægis of the League of Nations. Poland, on the other hand, would have nothing to do with the Eastern Pact. She was determined not to quarrel with either

Germany Rearmed

Germany or Russia or to allow her country to be made a battlefield. She clearly preferred specific arrangements with Germany and Russia separately to the uncertainty of "collective security." Czecho-Slovakia, on the other hand, was anxious in every way to strengthen the collective system of the League by treaties of mutual assistance. All were agreed that it was essential to bring Germany back to the League if it were possible to do so.

After this "exploration" came the Anglo-French-Italian Conference at Stresa. Here the Prime Minister and Sir John Simon were met with a demand that Germany's unilateral violation of the Treaty of Versailles should be sternly rebuked by the League of Nations. They promised to support a resolution to this effect to be moved by M. Laval at Geneva, and agreed that a committee should be appointed to consider what steps could be taken to prevent further unilateral infraction of treaties; they also agreed that a conference should be held in Rome later in the year, to which Germany should be invited, to discuss the proposed pact of non-interference in Austria. A few days later, after a good deal of hesitation among the smaller European Powers, especially the Scandinavians, the French resolution condemning the violation of Part V of the Treaty of Versailles was carried in the Council of the League at Geneva. This was followed by a storm of abuse in the official press of Germany at the hypocrisy of those who, after refusing for fifteen years to honour their own pledges of disarmament, were now condemning Germany for taking an equality that she had been promised in 1932 but had never been given in practice.

Thus the hopes of a new approach to agreement that had been raised by the Anglo-French declaration of February 3 had been rudely dispelled two months later. Though the question of arms "equality" had been settled by the unilateral act of Germany, the manner in which Herr Hitler recovered equality, and still more the size of the army he demanded and the reaction of Germany's

London, Berlin and Stresa

continental neighbours to these events, made it doubtful whether a basis for an all-round settlement still existed, or whether it would be possible to induce Germany to return to the League before her resignation became effective in November next. The general anxiety at the turn of events was shown in important debates in the House of Commons and the House of Lords early in May. There was widespread recognition of the fact that the only basis of lasting peace in Europe was that Germany should be accorded the position in Europe and the world to which her size and history entitled her. But it was realised how difficult it was, especially in present conditions, to secure a reasonable revision of treaties by voluntary agreement; and speaker after speaker expressed doubts whether it was not Germany's real intention, now that she was becoming heavily armed, to refuse to collaborate in a collective system, which she tends to regard as a combination of her enemies for the maintenance of the *status quo*, but rather to remain in an isolated position in which she would take advantage of the difficulties of other Powers to obtain advantages for herself by power diplomacy or, in the last resort, by war.

These anxieties were greatly increased by the revelation that the figures of the relative air strength of Germany and Great Britain given to the House of Commons by Mr. Baldwin before Christmas had proved to be entirely wrong. Instead of our still having an advantage in first line machines by November of this year, as Mr. Baldwin had said, it was asserted by Mr. Churchill without contradiction that by that time the German air force would be three or four times as strong as the British air force in Great Britain itself, that the German machines were faster and of later design, and that the capacity of Germany to manufacture aircraft and train pilots was many times that of Great Britain. The immediate response to this disclosure was support by all three parties for the policy of raising the British air force to equality with Germany

Germany Rearmed

as quickly as possible, and of maintaining air parity at all costs. At the same time, the Prime Minister announced that renewed attempts would be made to resume negotiations for an all-round European settlement and for the limitation of armaments, especially of air armaments, on the lines proposed by Herr Hitler to Sir John Simon in Berlin, and on the basis of the tripartite air pact mooted on February 3. He added that the discussion of mutual assistance pacts would continue, and that it was not the intention of Great Britain to enter into commitments beyond those already assumed, namely, the Covenant of the League of Nations and the Locarno treaties. A few days later the Franco-Russian Pact of Mutual Assistance was signed and published. Under it France and Russia agreed to "come immediately to one another's aid and assistance" in the event of unprovoked aggression by any European State, as determined under Articles 10, 12, 13, 15, 16 and 17 of the Covenant of the League of Nations. The obligation was to arise even if the Council of the League did not come to a unanimous decision.

II. A NEW WORLD SITUATION

IT is quite clear that the relative "peace" of the last fifteen years is rapidly passing away. Not only has a highly armed Japan abandoned the League of Nations, denounced the Washington treaties and resumed the method of power diplomacy in the Far East, but Germany is on the point of recovering her position as the greatest armed Power in Europe, and it is uncertain whether she will play her part in the European concert of nations or return to the old method of *Machtpolitik*. The decision is likely to be taken during the months that intervene between now and November, when Germany's resignation from the League of Nations becomes effective.

The issue at stake, as we see it, falls into three main

A New World Situation

parts. The first : does Germany merely desire a reasonable revision of the Treaty of Versailles, or does she seek to upset the fundamentals of the settlement made in 1919 ; and does Japan want a reasonable revision of the Washington treaties or to establish a sole hegemony in the Far East ? The second : if the desire of Germany and Japan is for reasonable revision, can the rest of the world bring about the necessary changes of the *status quo* by peaceful means through the machinery of the League of Nations ? The third : if they are not content with reasonable revision, but intend to reject the collective system and to revert to power diplomacy in order to modify the *status quo* by force, what action should other nations take in order to prevent war ? And what in particular should be the attitude of the British Commonwealth to these tremendous issues ? It is clearly too soon to come to final decisions on these matters. In this article we propose simply to set forth some considerations that must influence us in our search for conclusions.

There is no doubt that the Treaty of Versailles was a severe treaty. Like most other treaties at the end of a war, it was an imposed peace, but it was imposed on Germany after far less discussion with her representatives than had been usual at earlier peace conferences, or was likely to produce permanently acceptable results. That the Treaty of Versailles should have been one-sided was almost inevitable. It was made after the peoples of the belligerent countries had been deluged for four years with war-time propaganda designed to keep up their courage and stiffen their will. A balanced view was impossible in the conditions of the time. Even so the fundamental basis of the treaty—the principle of national self-determination—was entirely sound, and the League of Nations was set up, partly to bring order into the anarchy of national sovereignties by a collective system for the maintenance of peace, and partly, under Article 19 of the Covenant, to remedy defects in the treaties when tempers had cooled and facts

Germany Rearmed

were better understood. Time, too, has already eroded many of the more severe clauses. Reparations have disappeared. The military occupation of Germany was abandoned five years before the appointed time. And now the unilateral disarmament of Germany has vanished through the unilateral act of Germany herself.

So far as Germany is concerned there can only be said to be four questions of substance left. There is the question how long the unilateral demilitarisation of the Rhineland is to continue. There is the question whether Austria is to be allowed, under really free conditions, to decide whether she wishes to enter Germany, and if so on what terms, or to remain an independent State, or to join a Danubian federation. There is the question of the future of Danzig and the so-called Polish Corridor—an issue now fortunately taken out of general European controversy for the time being by the German-Polish treaty. And there is the question of the colonies—a question which is mainly one of national honour and of wiping out the Versailles stigma that Germany is unworthy to exercise a mandate, though once raised it would inevitably become merged in the larger issue of how the industrial countries are to be relieved from the economic tension that besets them all by being given reasonable access to world markets and world raw material supplies. If, in the course of the next five years or so, these questions could be amicably adjusted, and if Germany were to retain her permanent seat on the Council of the League—the steering committee of the world—she would have the equality and the “place in the sun” for which she can reasonably ask. Some minor frontier adjustments—mainly affecting Hungary and perhaps Bulgaria—would also have to be made in order to stabilise the Balkans.

In the Far East there are analogous questions. The problem caused by the co-existence of two sovereignties in Manchuria has been solved for the time being by the creation of the puppet State of Manchukuo under Japanese

A New World Situation

control. The outstanding Far Eastern problems are the future of Manchukuo and its form of government, the safeguarding of the integrity of China proper, reconciliation of Japan's need for overseas trade with the maintenance of the integrity of China and respect for the principle of equal opportunity for the trade of other nations with her, and agreement as to how Japan, the United States and the British Empire are to be given "equal security" in the Pacific.

If there is a reasonable spirit on all sides there is no reason why all these questions, in Europe and in the Far East, should not be amicably adjusted in the next few years, and an all-round agreement for the limitation of armaments reached which would preserve world peace for a generation. As always, policy must come first. Agreement on policy must precede agreement about armaments. But if there is to be agreement about policy two simultaneous conditions must be fulfilled. The satisfied Powers must be prepared to make reasonable revision by voluntary agreement. And Germany and Japan, if reasonable revision can be arranged, must be prepared to abandon power politics and war as an instrument of national policy, and to return to the League, as the focus and symbol of settling international disputes by pacific means. If the Powers victorious in 1918 have been slow to emerge from what the Germans call the spirit of Versailles, and have themselves been partly responsible for the Hitler régime, grave doubts now unquestionably exist all over the world whether the ultimate purpose, both of the military party now dominant in Japan and of the highly disciplined, brutally repressive, totalitarian National Socialist dictatorship in Germany, is not to bring about, by methods of force, far larger international changes than are comprehended by the word revision. Lasting peace depends upon the display of good will and common sense on both sides.

Germany Rearmed

III. SANCTIONS AND TREATY REVISION

THE next few years are going to reveal whether the League system can be restored in Europe or not. There is no doubt that no one to-day wants war in Europe. The mass of the German people are far more concerned with internal economic reorganisation and recovery and with real equality of status than with dreams of expansion. The root difficulty is that of arresting the increase of suspicion and misunderstanding, and therefore of armaments, which characterises such periods of transition and which may restore the system of rival alliances and the military time-table that led to the war. The next move is with Herr Hitler, whose speech on the events and discussions of the last three months is to be delivered shortly after this review goes to press.

But recent events show that an entirely new set of questions are gradually being presented to the peoples of the British Commonwealth. Since the war the policy of the Commonwealth has been support of the League of Nations. The nations of the Empire have been acutely aware of the necessary limitations of a League of which the United States has never been a member and from which, at the moment, Germany and Japan have retired. None the less, they have felt that the principles underlying the League are the only ones that can save mankind from chronic war and lead towards a peaceful and ordered world. The League—or rather a League emasculated by abstentions and withdrawals—is now going to be put to a new test. Can its members now make Articles 19 and 16 effective? Article 19 is the Article that provides for the revision of out-of-date treaties. Article 16 is the Article that binds its signatories to use “sanctions” against a nation that resorts to war or violates the Covenant.

No peace system can succeed in the modern changing

Sanctions and Treaty Revision

world that does not make possible the modification of treaties and other conditions that are out of date. A League that can only maintain the *status quo* will lead to war as inevitably as a legislature that fails to remedy grievances will lead to revolution. The League has no means of compelling a revision of treaties. Article 19 only permits it to advise. That, perhaps, is why the Covenant does not forbid war altogether. The Covenant only requires parties to submit their disputes to the international court, to arbitration or to investigation for not more than six months by the Council or the Assembly of the League, and to desist from war until three months after a report has been given. It was the Kellogg Pact in 1928 that "outlawed war," pledging its signatories to abandon war altogether as an instrument of national policy and to employ only pacific means for the settlement of their disputes. The Covenant left the ultimate possibility of war as the driving force making for revision by pacific procedure. The "gap in the Covenant" was, so to speak, the sanction behind Article 19. This sanction having been removed by the Kellogg Pact, there is now no legal means whereby any member of the League can be made to remedy an international injustice or modify an out-of-date treaty if it refuses the advice of the Assembly. The Covenant, therefore, taken in conjunction with the Kellogg Pact, now tends to become, even more than in its earlier days, an instrument for maintaining the *status quo*.

It is this growing inability to obtain revision of treaties by pacific means under Article 19 which tends to make so dangerous the stress increasingly laid on Article 16—the sanctions Article—as the indispensable basis for "collective security." The operative paragraph reads as follows:

Should any member of the League resort to war in disregard of its covenants under Article 12, 13, or 15, it shall *ipso facto* be deemed to have committed an act of war against all other members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all

Germany Rearmed

intercourse between their nationals and the nationals of the covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State, whether a member of the League or not.

In considering this Article 16 it is important to realise two things. The first is that sanctions, economic sanctions no less than military sanctions, inevitably entail the risk of war. To use sanctions is, in effect, to attempt to coerce a sovereign State against its will. Unless the power in the hands of the States bringing sanctions to bear is irresistible there is likely to be resistance or counter-attack, and that means war. Mr. Baldwin, about a year ago, stated this truth in the House of Commons in the following terms :

There is no such thing as a sanction that will work that does not mean war ; or, in other words, if you are going to adopt a sanction you must be prepared for war.

Unless sanctions therefore are irresistible, by reason of the preparedness for war of those who use them, of the unity with which they act, and of their overwhelming collective superiority in the event of war, their use is likely not to lessen but to spread war. That is the inherent weakness in all co-operative systems : they have to use war as a method of trying to prevent war. Those pacifists who have been arguing in the last few months that it is Great Britain's duty both to disarm and to apply sanctions in any part of the world against any aggressor State, however well armed and powerful, are only urging that every minor conflict should be turned into a world war. The real test of a successful sanctions policy is that the power mobilised against an aggressor should be so overwhelming that, as with the domestic policeman, the would-be aggressor will desist from aggression rather than court inevitable defeat.

The second important thing about Article 16 is that partly owing to the Kellogg Pact the meaning of " collec-

Power or Commonwealth ?

tive security" is liable to become very much extended beyond what was contemplated in the Covenant itself. Collective sanctions have come to be regarded as the proper answer to any form of aggression, to a violation of the Kellogg Pact no less than of the Covenant. And, by the resolution of the Council of the League on April 17 condemning Germany's unilateral violation of the treaty of Versailles, a committee was appointed

to define in particular the economic and financial measures which might be applied should, in the future, a State, whether a member of the League of Nations or not, endanger peace by the unilateral repudiation of its international obligations.

This, as was pointed out in the House of Lords, is liable to turn Article 16, which called for sanctions only against a nation that had gone to war in violation of the Covenant, into a system of coercing nations to observe their treaties under threat of war—a very formidable and dangerous extension of the idea contained in Article 16.

IV. POWER OR COMMONWEALTH ?

THE world is passing out of the period of exhaustion after the war into a new period of political readjustment, in which two great and heavily armed Powers, Germany and Japan, are clearly dissatisfied with the *status quo*. It is this fact which gives vital importance to the considerations urged in the preceding paragraphs. All the nations of the Commonwealth are pledged to support the collective system. What do the collective system and collective security mean in terms of the present situation ? They do not mean, and no member-nation of the British Commonwealth would hold them to mean, readiness to use sanctions—that is, in the last resort to go to war—merely to maintain the treaty *status quo*. On the other hand, they do mean that members of the League ought to stand together to prevent or defeat certain kinds of military aggression.

Germany Rearmed

The difficulty is to decide where the line is to be drawn. On the one hand, if the League threatens to apply sanctions over every minor European controversy it will inevitably end in turning some local issue into a world war. Lasting peace cannot be preserved by constantly threatening war even for collective instead of national purposes. On the other hand, unless a powerful would-be aggressor knows that resort to war instead of to pacific procedure is going to unite the world against him in taking action that he cannot withstand, he will deal with his weaker neighbours one by one until he establishes an ascendancy over all.

The question of the policy to be pursued in present circumstances is therefore an extremely difficult one. The greatest evil would be to run the risk of provoking another world war. If another general war broke out it would not be about frontiers or revision; it would be either for empire or for something much stronger and more organic than the League of Nations. For if war does break out again it will prove that the idea represented by the League—the attempt to base peace on co-operation between 60 sovereign States—had failed to end war because it had been an attempt to organise anarchy. The next war would be fought to establish a permanent ascendancy by one group or another in order that peace might come by empire or by federation. For if civilization is to survive, the supreme need is that war should be ended. It cannot go on with the ever-mounting tariffs and armaments of economic and political anarchy.

It is far too early to consider what the consequences for the policy of the British Commonwealth would be if the present negotiations failed to produce an agreement. The immediate necessity is to press them as vigorously as possible to an equitable solution and so to an all-round limitation of armaments. Only one conclusion stands out clearly to-day. Whether the influence of the British Commonwealth is to be used to make Article 19 or Article 16 effective, to intervene in Europe or to keep out of it,

Power or Commonwealth ?

adequate strength to make an independent British policy possible is essential. We should maintain an air force at a level no lower than that of our neighbours, a navy capable of guarding our trade, and an army sufficient for home and Empire defence. For the collective system depends as much as did the old pre-war system of defence on the possession by the pacific Powers of adequate strength to deter other nations from aggression, and to bring about revision of treaties by enabling nations to feel that, to some extent at any rate, they can rely upon collective security.

COMMERCIAL AVIATION IN GREAT BRITAIN

I. THE IMPORTANCE OF AIR POWER

IT is becoming a commonplace that the future of our national and imperial strength lies in the share that we take in the command of the air and in the exploitation of its potentialities. Traditionally, the greatness of the British Empire, in a world of nationalism and conflict, rests upon sea power. But if we are to draw from this the true lesson to apply to a future in which air power will undoubtedly play a vital part, we must remember that our naval power arose out of, and as a necessary adjunct to, our mercantile power on the sea. In the words of Admiral Mahan, "the necessity of a navy, in the restricted sense of the word, springs from the existence of a peaceful shipping, and disappears with it, except in the case of a nation which has aggressive tendencies, and keeps up a navy merely as a branch of the military establishment."* Admiral Sir Herbert Richmond has recently expressed the obverse aspect of this same thought. "A state," he says, "which possesses a navy will not necessarily possess sea power—power, that is to say, consisting in the ability to exercise control over the maritime routes to the markets of the world, and thereby of influencing the course of world events."† To-day, sea power remains a necessary foundation for our imperial strength. But while it is not superseded, it is vitally affected, by the development of air power. There was a time in the world's history when the command of the great trading routes of the Near and Middle East constituted the mastery of the world's economic and

* "The Influence of Sea Power upon History," p. 26.

† "Sea Power in the Modern World," p. 30.

The Importance of Air Power

therefore its political life. To-day, because ocean transport has superseded land transport as the commercial blood stream, the command of such land arteries is of minor importance. It may well be an exaggeration, but it is not altogether impossible that in days to come the control of sea routes will not in itself raise a nation or an empire above the status that is to-day occupied, say, by the people of Turkey or Iran.

Whatever the future of war and commerce may have in store, a great Power in the decades to come must needs be a great Power in the air. It is here that we must apply the lesson of the origin of sea power, and realise that commercial air strength is and will be the source and necessary adjunct of military air strength. The argument that civil aeroplanes cannot be used for war purposes owing to differences in technical design, which grow wider as engineering and commercial progress proceed, would be beside the point even if it were in itself true without qualification. For it is equally true that ships of the mercantile marine are unsuitable for naval purposes. The essence of the matter is that a military air force can be created rapidly from a small nucleus if the air-mindedness of the people, and the technique of air navigation and aeronautical engineering, have been strongly developed in the country by civil aviation, and if the ground equipment and the skilled personnel are ready. The example of Germany in the last three or four years is sufficient proof of this proposition.

The contrary is certainly not true. Specialisation on military types and the dominance of a military outlook can only hinder commercial air progress ; for military standards are essentially uneconomic for commerce. It is possible to debase the economic type into the uneconomic for purposes of war, but it is impossible to refine the uneconomic type into the economic type for civil purposes. The ploughshare to the sword but not the sword to the ploughshare.

Commercial Aviation in Great Britain

II. SPEED VERSUS DISTANCE

WHAT, then, are we doing to keep ourselves in the forefront of the Powers commanding civil air strength? * We are in the habit of deploring our dilatoriness in this field, and indeed there are many points at which greater initiative, courage and farsightedness seem to be called for; but in one respect at least Great Britain is ahead of the rest of the world. That is in the cheap carriage of air mails.

To India, the Dominions, the colonies and mandated territories we have already instituted low flat-rate postal charges of three-pence, sixpence and one shilling and three-pence respectively to Middle Eastern, Indian and African, and Australian areas. These rates compare favourably with anything that is being done by foreign countries. Still more important, looking to the future, the Post Office has in active preparation plans to send by air at the ordinary postage rate of 1½d. all letter mail to any Empire destination served by British air lines. These plans it is hoped to put into operation by 1937. In furtherance of them, consultations have recently taken place both in London and in the Dominions between the home and oversea governments concerned. As for inland air mails, we have been ahead of other countries in instituting the principle of sending by air without any extra charge all letters that can be accelerated by this means of transportation—in so far as it is available—in Great Britain and Northern Ireland. If there were a regular system of night flying still more remarkable prospects would be opened up. As one result of the low rates already instituted, the air mails despatched have risen by leaps and bounds; in the first quarter of 1935 they amounted to 25 tons on the Empire routes and nearly 60 tons on inland routes.

Those responsible for pushing forward these air mail

* See Appendix.

Speed versus Distance

developments have at the back of their minds the vision of an Empire effectively reduced to the size of these islands. It is not the distance on the map but the distance in the mind that counts, not the thousands of miles that divide the countries of the Empire but the few hours that will separate them if aerial progress continues at its present pace for only a few years more. What differences this will make, not merely to commercial and personal, but also to political communications the imagination can be left to depict. Many of the old troubles that have forced upon the British Commonwealth a sometimes dangerous devolution and have inhibited its growth as an organic unit will disappear when the dreams of those visionaries come true who foretell that the span between any two of the self-governing members of the Commonwealth will shortly be reduced to little more than the span between the capitals of Scotland and England in an age of roads and railways.

Speed—the power to diminish long distances to short intervals of time—is the first asset of air transport, and upon its exploitation the success of commercial aviation will depend. It is here that Great Britain lags behind.

It is difficult, if not impossible, to give accurate figures of the comparative speeds of British and foreign air lines; certainly it would be unfair to compare the fastest of the scheduled foreign air routes with those of Imperial Airways, since speed regardless of cost has often been the objective of the former, while the latter have, perhaps in too great a measure, subordinated speed to economic considerations. The ambition of making profits, on the basis of a subsidy appreciably lower in relation to commercial turnover than those paid by most foreign governments, is a laudable one, and the blame for any consequent shortcomings is certainly not to be borne entirely by Imperial Airways, whose policy this is. Yet the fact remains that cruising speeds approaching 200 miles per hour are aimed at and in many cases achieved in America, while Imperial Airways appear content, for the most part, with only half that. Among our

Commercial Aviation in Great Britain

European rivals, too, the value of higher speeds is being increasingly appreciated and acted on; for they realise that increased speed can be attained by improved aerodynamic design without greatly increased operating costs. In fact, to a certain extent economy may be achieved with faster aircraft by dint of the greater distances that can be covered in the same time, with a consequent increase in pay-load per hour flown. The longer an aeroplane is in the air between two points the more it is costing its owners, proportionately, in overhead charges, in wages, indeed in almost every direction except in interest on capital outlay for the machine and direct running costs. There is one other way in which higher speeds benefit an air line and enhance its reputation with the public, and that is in the ability of the faster machine to maintain a more regular time schedule when encountering head winds or other adverse weather conditions. It is obvious that the land speed of a hundred-mile-per-hour machine faced with a 50-mile-per-hour head wind is reduced by one-half, compared with one-quarter in the case of a machine capable of 200 miles per hour; the latter's flying time is increased by one-third, the former's is doubled.

In view of these considerations the tendency of this country to ignore the value of speed in commercial air line operations is making us fall further and further behind our foreign rivals, and from such a handicap it will be difficult to recover in future years.

III. SUBSIDIES

DOES the method of subsidies to civil aviation that we have adopted in this country discourage the attainment of higher commercial speeds, as is often suggested?

The problem of subsidies is a delicate one, and it raises in relation to commercial aviation many of the same general issues as it raises in the industrial, agricultural and social fields. Should subsidies be given to a private profit-

Subsidies

making concern—especially to a quasi-monopoly—without strict and direct governmental control? Should the subsidy be paid directly, or indirectly in the form of mail-freight contracted for at artificially high rates? Should aviation be encouraged to develop and expand rapidly by means of lavish subsidies, with the risk of its becoming an unhealthy and unstable growth, as undoubtedly it is in America; or should it be encouraged to progress more slowly but soundly—to become, if possible, self-supporting—by means of small and diminishing subsidies, at the risk of its so falling behind in world competition for air commerce that it loses all international prestige? The latter course is apparently the settled policy of this country.

It is quite impracticable to give a detailed comparison between the subsidies paid to commercial aviation by Great Britain and those paid by other countries. For one thing, the method of subsidy varies, and it is often disguised, not always deliberately; on its Empire routes, for instance, Imperial Airways has benefited enormously from the fact that the survey work and initial ground preparation were performed at government expense, largely for defensive reasons. Another difficulty is that of obtaining reliable figures; those available for Germany, with whom a comparison would be specially useful, are certainly untrustworthy as an index of total government assistance to commercial flying. Nevertheless, one set of figures may be quoted as throwing some light on the frequent assertion that the American superiority in commercial air development has been achieved at a cost of subsidies proportionately far in excess of our own. The United States subsidy, including that embodied in the mail contracts, works out at approximately twenty-one pence per machine-mile flown, while the subsidy paid by this country to the only subsidised company—Imperial Airways—would appear to be approximately thirty-eight pence per machine-mile flown. These figures, of course, are not conclusive, since the varying sizes of the machines operating and the loads carried affect

Commercial Aviation in Great Britain

the comparison ; and it will not be forgotten that the United States has great natural advantages. Nevertheless, they are evidence, so far as they go, that the United States Government is obtaining at least as good value for its money as we are for ours, in spite of the waste of subsidy in America that was revealed by the air mail contract scandal of last year.

Whatever the conclusions that may be drawn, one thing is certain : where subsidies are given, whether direct or indirect, they should be given subject only to compliance with very clearly defined conditions governing efficiency of operation in respect of speed, regularity, safety, etc., the standard of which should be constantly reviewed in the light of current aeronautical development.

Not only is a powerful development of commercial aviation, especially in the direction of higher speeds, demanded by general national policy ; it is very important from the point of view of our place in world export trade. In the exploitation of world markets for motor cars we were for years left behind by the United States, and there is grave danger lest our relative position in the aeroplane industry should be still worse. Planes like the Dutch "Fokker" and the American "Douglas" are gaining a hold on world markets which it will be very difficult to dislodge ; indeed we have no aeroplane of a similar high-speed type to compete with them, though the De Havilland "Comet," of the type that won the London-Melbourne air race, may develop into something that can compete with the fastest commercial aeroplanes in the world on their own terms. So far our export business in non-military aircraft has been largely confined to small, private aeroplanes, rather than commercial "ships of the air." Possibly it may be thought that the world trade in aeroplanes is a game not worth the expensive candle that may have to be burned to gain it ; but the stakes to be won are potentially high, for the demand for aeroplanes and air travel will certainly go on increasing very rapidly,

Opportunities of the Future

especially in the less-developed countries of the world. Even in 1930 the manufacture of aircraft in this country absorbed 21,500 workers, a total which is estimated to have risen now to about 30,000. The annual turnover of the industry is in the neighbourhood of £10 million, but this includes £6 million to £7 million of Air Ministry orders, and approximately £2 million of export business, also mostly in military types. Only about a million pounds is therefore ascribable to home demand for civil machines.

IV. OPPORTUNITIES OF THE FUTURE

IT is also argued that these islands are geographically and climatically unsuited to the development of civil flying. By comparison with countries like the United States or Australia or Canada this handicap is beyond question, but it is not one that cannot be overcome. The climatic difficulties are even now being conquered by technical developments in the direction of fog navigation, safer flying and slower landing speeds. As for the geographical limits, they are only relative; for if the breadth of North America can be reduced to a day the length and breadth of these islands can be reduced to two or three hours.

Within the narrow limits of these shores there are almost endless possibilities of commercial air development, even on the basis of our present restricted technique. Night mails by air could make it possible for letters posted in any town in Great Britain in time to catch the usual outgoing evening mail to be delivered in any other town as far north as Aberdeen by the first post the next morning. Thus in this respect Great Britain would be reduced to the present size of London and the home counties. In a country so densely populated one of the great advantages of air transport is that it can eliminate the "cross country journey," which has always been a bugbear of travellers

Commercial Aviation in Great Britain

by rail. The business man to whom time is money will take an aeroplane to save him an hour or two; but he will only be encouraged to do so if the aeroplane service is frequent and reliable enough for the time that he saves on the actual journey not to be eaten into by the average time that he would have to wait for the next scheduled aeroplane. Thus, if there is a two-hourly service of trains taking four hours to reach another city and the aeroplane takes in all only two hours (including time spent getting to and from the aerodrome) then the advantage of the aeroplane will be lost if it leaves only at five- or six-hourly intervals; for even if he has average good luck in fitting in with the schedule the potential traveller must then set aside $4\frac{1}{2}$ to 5 hours effective time for the journey compared with the average of five hours for the train. This applies no less to parcels than to persons. There are many classes of small parcels for which an hour or two's saving of time is worth paying for—for instance, commercial samples, proofs and other printed matter, replacement parts for motor cars or engineering equipment.

It is obvious, too, that the shorter the journey the greater is the importance of cutting down the time lost between terminal airports and the centres of the towns they serve. On a 2,000 mile journey an extra hour or so is not, perhaps, a serious consideration, but on a 300-mile journey it may undo the whole advantage of the aeroplane's superior speed. In a country like ours, therefore, it is vital for the future of commercial aviation that unless airports can be constructed near the hearts of our cities the road communications with the suburban airports should be specially improved. These factors will be prominent in the investigation now being conducted by the Air Ministry into the probable future of internal air communications in this country.

Undoubtedly Great Britain is faced with handicaps to the rapid development of civil aviation. Nevertheless, our position as a great mercantile nation on the fringe of

Appendix

a highly populated continent, and above all as the heart of a great and wealthy Empire, at once underlines our need for air power and creates our opportunity of attaining it. No one can say that we have yet fully explored the potentialities of our world situation and especially of our commercial connections. We have at present no air communication of our own with South America, where we have already been forestalled by American, German and French air routes. The Dutch route to Singapore and the East Indies preceded our own and in certain respects is a model to it. West Africa, and the ports of China (with a link to Singapore via Bangkok), are other areas where opportunity awaits initiative. It has not been the purpose of this article to consider at any length the special problems of our external air routes, but rather to stress the permanent factors that affect the general progress of commercial aviation in and by this country. The picture that can be drawn certainly does not encourage complacency, but it may serve to stir to life the latent capacity for development that Great Britain has so often shown she possesses.

APPENDIX

COMMERCIAL AIR ROUTES (January 1 to June 30, 1934.)

Country	Route Miles	Miles Flown	Passengers Carried	Goods Carried (tons)	Mails Carried (tons)
Great Britain*	13,719	1,163,428	25,505	327	103
United States					
<i>Home</i> ..	24,878	17,723,665	191,088	409	?
<i>Foreign</i> ..	19,359	3,793,993	50,684	293	?
Germany†	22,092	2,930,000	49,971	?	?
France ..	21,295	3,480,010	26,230	856	263
Italy ..	8,797	1,278,945	17,596	331	72
Netherlands‡	9,853	?	30,718	561	115
Brazil ..	8,163	370,906	3,540	14	25

* Imperial Airways only.

† Deutsche Lufthansa only.

‡ Including Netherlands East Indies.

SOUTH AFRICA AND EMPIRE DEFENCE

I

A FEW months back General Smuts told his St. Andrew's audience that though we might comfort ourselves with the thought that the times we live in are extraordinarily interesting, we should do well to remember that they are also "the most anxious and critical" that we have had to face for many a long day. That was in October last. Everything that has happened since has accentuated the anxiety. Hence it was in an atmosphere already thick with disquieting rumours of war that three of the leading members of the Union Cabinet recently delivered addresses in Cape Town which deservedly attracted attention outside the borders of the Union and did much to bring home to South Africans the position in which they stood and the choice of roads that lay before them.

The first of these addresses, on "The Union in War Time," was given by Mr. O. Pirow, Minister for Railways and Defence, at the opening of the Imperial Press Conference in the Hall of the University of Cape Town on February 5. The second, on the world situation and South Africa's place in it, was prepared by General Smuts, but owing to his illness (now happily a thing of the past) it was read by Mr. Patrick Duncan, Minister of Mines, on February 8, to the Cape Town branch of the newly formed South African Institute of International Affairs— itself a sign that South Africans are taking a lively interest in problems that not so long ago seemed immeasurably remote. The third speech was delivered by the Premier

South Africa and Empire Defence

himself in the House of Assembly on March 14, a week after the British Government had issued the White Paper outlining their scheme of rearmament. General Hertzog, who in his time has struggled hard against Imperial entanglements and displayed little affection for the Royal Navy, declared unequivocally in favour of maintaining the closest friendship with Great Britain, and expressed the warmest appreciation of the part the Navy played as a guarantor of the liberties of South Africa. Indeed, from the point of view of immediate practical politics, his short speech was the most important of the three; for he, if anyone, is in a position to enunciate policy.

Though General Smuts's address was second in point of time, it should be dealt with first; for he sketched in the background against which his colleagues' speeches must be read. The Prime Minister and Minister for Defence "got down to brass-tacks"; this and this, they said in effect, South Africa is willing and able to do; that and that she is not prepared to undertake. It fell to our Minister of Justice to say: "Here are the conditions under which you must take your decision."

It is no disparagement of General Smuts's address, but rather a compliment, to record that he had said most of it before, though in other words; for that is simply to say that the General is a good teacher who knows that repetition is the best way to drive a lesson home, and also to suggest that he is worth listening to as a far-sighted man, since so many of his fifteen-year-old prophecies have come to pass. As at Versailles in 1919, he put in a plea for the fair and equal treatment of Germany and condemned all proposals to arm the League; now, as on the eve of the Imperial and Washington Conferences of 1921, he taught that the surest way to resolve the complex of hate, bred of fear and despair, that tortures Europe is a drastic reduction of armaments, that the strengthening of the League should be the chief aim of the British Commonwealth; that there must be close understanding and co-operation

South Africa and Empire Defence

between the Commonwealth and the United States, with whom "the Dominions have a fundamental sympathy" and to whom "for their own future security they partly look." Speaking, as he did, in February, before Sir John Simon's visit to Berlin, he looked hopefully for an extension of the Locarno system, and with full knowledge of what has already happened in Russia, Italy and the Reich, he repeated his St. Andrew's lament over the decay of the spirit of liberty in Europe. Finally, in 1935 as in 1921, he urged that we should "no longer look upon the European stage as of the first importance," but rather turn our eyes towards Asia, where "two-thirds of the human race are on the move no one knows whither."

It was *à propos* the Pacific, "as the potential danger spot of the world," whether in this generation or the next, that General Smuts made the main point of his address, a warning to his fellow-citizens that "some of the countries which have hitherto felt most secure in their isolation and remoteness from the old European scene of conflict are now well within the range of the new dangers."

Of those countries for whom "the era of youthful seclusion and protection is passing," the Union is assuredly one. It is the only considerable outpost of Western civilisation in Africa, and whichever way it turns it is 5,000 miles and more from the nearest centre of that civilisation. It looks with hope to the Atlantic world of the northern hemisphere for support of every kind; it looks with anxiety across the Indian Ocean towards the awakening East, whose advance guard has long been entrenched on the east coast of Africa from Somaliland to Natal.

The European inhabitants of the Union know that, on the whole, theirs is a desirable land. There are still empty acres that might prove attractive to over-crowded, industrious and spare-living peoples; there is gold, there is a long list of base metals to which beryllium, indispensable for hardening steel, has recently been added. And there is always the Cape Peninsula. In spite of the recent

South Africa and Empire Defence

construction at Durban of an air-port and a graving dock capable of taking medium-sized cruisers, it is still as true as it has always been that, viewed strategically, southern Africa falls into two unequal parts: the Cape Peninsula and the rest. The original seventeenth-century Cape Colony was the Peninsula and nothing else; when more was added by the energy of the colonists, the authorities reluctantly extended their rule thither; but always successive Dutch and British Governments maintained a considerable garrison and squadron at the key to southern Africa, which is also "the halfway house to India." It is significant that, although the Imperial infantry garrison was withdrawn from the Peninsula in September, 1914, the Imperial gunners were not allowed to leave till March, 1916, when the alternative Suez Canal route had been cleared of Turks and Germans. In view of the vast improvement of submarines and aircraft since 1918, another first-class war will see the Red Sea-Mediterranean route effectually blocked and the Cape route restored to its old-time supremacy and state of danger. A double danger nowadays; for, as Mr. Pirow reminded his hearers, the gateway to the East may in certain untoward circumstances become the gateway to the West.

What, then, is to be done? The prescription of Dr. Malan, the leader of the Nationalists, is simple. Expounding his well-known faith in a declaration of neutrality, on the very night of General Smuts's address, he looked forward to seeing one day "a South Africa which is free and peaceful, protected by a Monroe Doctrine." That may indeed come to pass, and even Mr. Pirow has visions of a future Monroe Doctrine proclaimed against the swarming masses of Asia by the Union, enlarged by the inclusion of the Protectorates and allied with the two or three federal groups which he expects to see forming further north in British central and east Africa. But facing the brute facts of this present imperfect world, Mr. Pirow admits that, on the score of neutrality, there is always the

South Africa and Empire Defence

possibility of meeting an enemy "so stupid that he cannot understand our constitutional position"; and others would perhaps observe, on the score of Monroe Doctrines, that in 1823 and for long years afterwards it was Canning's threat to use the British Fleet against the Powers of the Holy Alliance that gave substance to President Monroe's famous pronunciamiento.

Such being the facts, Colonel Stallard and his Dominion party demand that the Union should undertake definite commitments in an Imperial scheme of defence. Mr. Pirow's address was a vigorous and extremely frank reply to that demand, so frank indeed that it came as a shock to some of his immediate audience and as a disappointment to those many others, in South Africa and elsewhere, who, without much warrant, had looked for great things from Sir Maurice Hankey's visit to the Union a while ago on his way to discuss defence in Australasia.

II

MR. PIROW'S speech can be summarised in one sentence, that whereas "a direct vote of secession from the British Empire would meet with an absolute negative response, yet, on the other hand, the Government is not prepared to participate in any general scheme of Imperial defence." Nay, more, with memories of the rebellion of 1914 fresh in his mind, as they must be fresh in the minds of all South Africans of his generation, he warned his hearers that "if a Government were to attempt rashly to commit us to participation in another overseas war, there would be large-scale demonstrations, possibly even civil war." Undoubtedly Mr. Pirow is right, and by the same token Dr. Malan has noted his statement with approval and promised to quote it against him if ever South Africa's rights of neutrality are thrown away.

Mr. Pirow's attitude is in keeping with the South African

South Africa and Empire Defence

tradition in these matters. Long ago, in the Colonial Conferences of 1902 and 1907, the South African delegates, with one exception, and he an Irishman, rejected schemes for special Imperial contingents; during and after the Great War no one opposed the federal solution of Imperial problems of all sorts more stoutly than General Smuts. The Union's reply to Mr. Lloyd George's summons to defend Chanak was of the chilliest, the projected Geneva Protocol found no favour in South Africa's eyes, and even the Locarno system, according to General Smuts, is suitable for application only in Europe. The Afrikaners almost to a man sympathise with those Canadians who dread anything that will automatically drag them into the broils of Europe, and there are South African survivors of the Great War, men of British stock, who say openly that they will want to know good reason why before they set out again to try to save Europe from itself. What is more, a few days after Mr. Pirow's speech, General Hertzog underlined his words.

I will (he said) insist on the closest co-operation in the most friendly spirit with Great Britain and with every member of the Commonwealth. I have always said that there is just one condition, and that is that the interests of South Africa shall always be number one, and if those interests are served in the best way, then I shall turn to the others.

Not so very different, except for the urbanity of tone, from what he said in 1912, and split a Ministry by saying. Thus do the political heresies of one generation become the commonplaces of the next.

There is, however, one kind of campaign which Mr. Pirow believes would readily call all South Africans beyond their borders, and that is an attack by black on white people in any other part of British Africa. In that event there would be a unanimous response, though even then "the population would demand to be consulted before any decisions were come to." Probably most of them

South Africa and Empire Defence

would, but if history teaches anything it is that numbers of South Africans would be on their way to the firing line long before the official decision had been reached. One of the constant dreads of High Commissioners in the mid-nineteenth century was that a black versus white conflict in any one of the states or colonies in southern Africa might develop into a general struggle. There is no reason to suppose that in this matter South Africans have ceased to "think with their blood."

If, then, there is to be no South African participation in a cut-and-dried scheme of Imperial defence—and it cannot be too strongly emphasised that Mr. Pirow's refusal to contemplate definite and precise commitments in any such general scheme is in keeping with the policy of every Union Administration, whether South African party, Pact, or Nationalist—it follows that the Union is still to be guided by the general principles laid down by the Imperial Conference of 1923 and reaffirmed by that of 1926. Those principles, like so many other resolutions of post-war conferences, merely set out pre-war practice. Shortly put they came to this, that the Parliament of each part of the Empire should "decide the nature and extent of any action" that should be taken by that part to defend the territories and trade of the whole, that each Commonwealth State should be responsible for its own local defence that the various air forces should be developed as much as possible along the same lines, that maritime communications should be safeguarded and naval bases provided, and that the Royal Navy should be kept at an equality with that of any other Power.

III

HOW far does the Union fulfil the terms of this programme, and how far do the speeches of the Prime Minister and Mr. Pirow promise that it will continue to fulfil them? The maintenance of the Navy the Union

South Africa and Empire Defence

leaves, as for most of the time its component colonies had always left it, entirely to Great Britain. For some years the Union, indeed, continued to pay the modest unconditional contribution which the Cape Colony and Natal had given first in 1898, and under the Defence Act of 1912 it put its companies of the R.N.V.R. at the disposal of the Navy in the case of war. But there was never any hope that the Union would come into Lord Jellicoe's 1919 scheme of a federally supported fleet, and two years later the naval contribution was diverted to the maintenance of coastal batteries and a pair of mine-sweepers. Latterly, even this nucleus of a South African navy has been dispensed with and the money devoted to guns and aeroplanes.

Nor is there any prospect that the Union will change its policy. Mr. Pirow made that clear to the Press Conference.

Our attitude towards the Navy (he said) is certainly not based on anti-British feeling; it is based entirely on common sense. The object of the Navy in the first place is not to protect us, but is to protect British ships and British trade. Incidentally we get a very substantial benefit. On the other hand the object of our coastal defences is to make it as difficult as possible for any enemy to land on our shores. Incidentally the naval squadron gets a very substantial benefit from this, and it may be increased tenfold if for any reason the Suez Canal should not be available.

That was not perhaps an enthusiastic testimonial, but it must be read in the light of two facts. First, as Mr. Pirow explained a little later in a by-election speech at East London, the Union is doing all that Great Britain has even hinted that it should do to help the Navy. Since 1928, when the Nationalist-Labour Government agreed with the Committee of Imperial Defence on what was required to defend South Africa's coast, £408,000 has been spent on Simonstown alone, and in the event of war the Union will have to defend the whole of the Cape Peninsula to make the naval base even passably safe. Secondly, let it be remembered that to many South Africans

South Africa and Empire Defence

the Navy is a rock of offence over which the Union may one day stumble into war; to others it is a force which would still patrol our seas in Great Britain's interests even if the Union were a full-blown republic; to others again it is a war machine which neither adds to nor detracts from such security as we can expect in these days—an opinion which the report of the Toronto Conference on Commonwealth Relations shows is shared with some good cause by numbers of Canadians. And, whether or not Mr. Pirow's words were, as his critics allege, "unhandsome, ungenerous," it is hard to cavil at the sense of them. After all, His Majesty's Government is not a philanthropic institution; sentiment alone would not keep the grey ships at Simonstown. General Hertzog himself in his now famous "Navy speech" of March 14 used almost the same words as Mr. Pirow: "It is true that in the first place the fleet is here in England's interests, but in the second place it is here in our interests." Perhaps if Mr. Pirow's critics could see the enthusiasm with which his Defence Force co-operates with Admiral Evans's cruisers in manœuvres up and down our coasts, they would think less hardly of our Minister of Defence.

As regards local defence by land, South Africa has a much longer and more varied military experience than any of the other Dominions. We do not carry guns or revolvers as part of our everyday equipment, but from time to time we have shot Bushmen, Hottentots, Bantu, Imperial soldiers and each other with skill and precision. To-day, the Defence Force, organised under the Acts of 1912 and 1922, combines the traditions and methods of the mobile commandos of the Boer Republics, of the colonial volunteers, and, as far as its small permanent force is concerned, of the Imperial troops which were stationed for so many years in South Africa and have now sent us some of their N.C.O.s to help our men to polish up their drill. Since the abolition of the Imperial South African Command in 1921 the Defence Force has assumed full responsibility

South Africa and Empire Defence

for the maintenance of internal order and the defence by land of Africa south of the Zambesi-Kunene line.

But the Defence Force, in Mr. Pirow's eyes, is something more than a quickly mobilisable citizen army behind our regulars. It is a school of citizenship and patriotism and physical fitness, to whose discipline as many as possible of the youth of the country, that is, of course, the European youth, are to be subjected. The moral value of military training is his main justification for raising Special Service and Pioneer Battalions of out-of-work lads who might otherwise go to pieces, and one at least of his reasons for demanding an increase of military expenditure from an average of £760,000 during the past three years to something over £1,000,000 for the current year.

In accordance with the resolutions of the Colonial Conference of 1907 the Defence Force has in general been trained and equipped so that its parts will be "inter-changeable" with those of the British army. This policy has been encouraged by South African representation on the Committee of Imperial Defence and by the experience gained in the Great War. There is no reason to believe that the present Union Government will lightly depart from this common-sense arrangement; nevertheless, Mr. Pirow pointed to one or two points of divergence. It is a small matter, perhaps, that some regiments wear khaki with pride, while others, burdened by unhappy memories of the South African War, endure a thick grey-green uniform with considerable discomfort; it is much more serious that whereas Mr. Pirow, in his capacity as Minister for Defence, has procured some of the latest British bombers, in his capacity as Minister for Railways he has purchased fast German Junker machines for South African Airways. Civil aviation, in this thinly peopled land of vast distances, is avowedly being subordinated to military requirements; hence "we are aiming at a passenger service of 200 miles per hour." Such a policy may lead to difficulties between the Union authorities and Imperial Airways, which, like

South Africa and Empire Defence

the British Government, believes in stability rather than speed. In that event the "interchangeability" in the air, on which the Imperial Conferences of 1923 and 1926 laid such stress, will in large measure cease to be.

The discussion of bombing planes leads naturally to the last point: the safeguarding of maritime communications by the provision of naval bases. Until 1912 the Union left the defence of Simonstown, the headquarters of the South African squadron, entirely to the Imperial authorities. Under the Defence Act of that year, however, it arranged that its Coast Garrison Force should be trained, and in time of war be used, as the reserves of the Royal Garrison Artillery and Royal Engineers stationed in the Cape Peninsula. Then, by the Smuts-Churchill Agreement of 1922, the Navy retained the naval harbour and dockyard area, and the Union made itself responsible for the maintenance and manning of the forts that command both, and guaranteed that Simonstown should at all times be in a position to serve as a British naval base.

It is this juxtaposition of the King's ships and the Union's guns that has given rise to long and at times acrimonious debates in the House of Assembly, towards the close of which, on March 14, General Hertzog delivered his "Navy speech." The Dominion party rejoiced that, because of Simonstown, the Union could never remain neutral when Great Britain went to war. How, they asked, could a neutral permit a belligerent to use a port in its territory as a base or even as a shelter for more than twenty-four hours? And how, unless it was prepared to shatter the whole fabric of international law, did the Union propose to deal with Vice-Admiral Sir Edward Evans of the *Broke*? Dr. Malan and his Nationalist followers asked precisely the same questions. They hate constitutional loose ends, and to them Simonstown is a loose end which may entangle South Africa in another "British" war. Some of them said openly that they would rather cede Simonstown to Great Britain outright as another Gibraltar

South Africa and Empire Defence

than allow it to imperil the right of neutrality which they prize, and which the Prime Minister himself deduces from the Balfour Declaration and the Statute of Westminster.

It need occasion no surprise that a Ministry which has agreed to differ on the rights of neutrality and secession should not always speak with a united voice on the problem of Simonstown. Some months ago, General Hertzog told a country audience that if the Union stood neutral, Simonstown could be treated as foreign territory. Mr. Duncan, Minister of Mines, in Natal and again in the eastern Cape Province, promptly indicated his intention of resigning if such a policy were given effect to, but meanwhile pleaded that the issue was academic. During the recent debates, the Premier returned to the charge and declared that he had the highest legal support for his view that "there is no difference in principle between Simonstown and Gibraltar, and that international law fully confirms my further views in respect of the position."

But the law is one thing and politics another. There is the Simonstown agreement, and General Hertzog is not the man to go back on a bargain. In the middle of March, he revealed his understanding of the fact that the only way to make head or tail of the British Commonwealth of Nations is to face it as a going political concern and not as a piece of constitutional machinery. The occasion of his speech was trivial enough: a Nationalist proposal to oust the Admiral, as the representative of another Government, from the place which he and his predecessors have always held in the Governor-General's train at the opening of Parliament. Behind this small ungracious suggestion loomed the whole problem of foreign policy. The Prime Minister, who is also Minister for External Affairs, showed that he realised that to the full. He declined to unseat the Admiral and then launched forth into what Dr. Malan hailed as his too-long-delayed declaration of policy.

The Admiral (he said) is the highest representative of the fleet of our greatest friend and most powerful friend—Great Britain.

South Africa and Empire Defence

His person is really historic, not for any constitutional reason, but because of the particularly important task entrusted to him. When I was in opposition and fought for our freedom, I made no secret of my feeling that if the British fleet went under to-morrow it would not matter to me. . . . But now that our freedom has been restored to us, and the enemy of former days has become our best friend, the British Navy means exactly the same to me as to an Englishman or to the British people in England I cannot have the same love for it as an Englishman—that is impossible—but as far as its value is concerned, I feel the same about it as an Englishman does, because the freedom of my people and of my country is just as dependent upon it as England is herself. . . .

After that there need be no doubt where the Union Ministry intends that South Africa shall stand, if (which Heaven forbid) it comes to the push. No one in his senses will expect General Hertzog to join in singing "Rule, Britannia." Let it be enough that he has made it plain that, under certain circumstances, "Hearts of Oak" is a tune to which he will listen with approbation and relief.

South Africa,
April, 1935.

WASHINGTON, THE WEST AND THE WORLD

I

COME to a little town on the high plains of western Kansas. It is noon of a fine spring day; but the electric lights gleam like jugglers' balls of steel. The sun is a curious blue colour, shining through a yellow-grey haze. Everything is covered with a thin grey dust, hiding the greening wheat and the blossoms of spring. The dust is in our teeth. It is still sifting down, though there is not a breath of wind. This is not the peak of the dust storm—then we could not stir outdoors, and the world was a brutal, searing whirlpool of abrasion. But even now we cannot see more than a few hundred feet, and we have to wear bandages over our noses and mouths. The highways are dangerous, the trains creep along. The chickens are at roost this noon, and the cows come lowing to the barn. Little children and pneumonia patients who did not get to shelter quickly died. Even to men used to elemental gusts of tornado and parching drought and freezing cold it was the most menacing and terrifying experience of their lives. For the dust sifted silently down. The suffocating blanket continued, and no man knew when it might thicken and might blot out human life.

Such was the penalty for human greed. Such was the price we paid, William Allen White wrote, "for the blessed privilege of sacrificing our young men to the war god." For when men, during the war, were driven by greed to plow the semi-arid plains in eastern Colorado, in Wyoming, in New Mexico, in Montana and the Dakotas, in Kansas, to produce wheat because acres stood idle in Europe,

Washington, the West and the World

they unbound the chains that had hitherto held down the terrifying power of the great American desert. Be it said that even with two-dollar wheat these dry farmers scarcely made a profit. Since the war they have consistently lost.

After the war, a wet cycle held these plains in check. Three years ago the dry cycle began. In 1933 the crop failed. Last year it failed again. Even last year the March winds came down, and scraped up the soil from millions of acres, depositing it far over the American continent and out at sea. Then last summer the crop failure was worst of all. Followed a dry winter. In March of this year there was nothing to resist the wind as it sucked up billions of tons of soil, held it in great clouds as big as two western Europes, and finally dropped it upon the land when an atmospheric spring was released.

Little rains have come with the end of April. What the future holds, no man knows. The dry cycle may run as long as seven years, or it may end now. In either case America has been given a grim warning. It is that if nature's own crust of brown grass and roots is not spread once more over these vast acres of desert the dust storms will continue periodically, constantly tearing up new areas of still arable soil, spreading the American desert farther and farther over the country's surface.

And what is the answer? There are two. One is the eternal resilience which among these people and on this frontier keeps humanity alive under the most desperate of circumstances. Even if conditions do not improve, man will continue to exist in places where the animals can hardly live. And he will cling to life with a grim laugh, for these pioneers are of that stock. On the plate-glass window of a defunct First National bank, in a high-plains town, somebody had scrawled:—

"Ashes to ashes and dust to dust, the men folks raved and the wimmen cussed, take it, and like it, in God we trust."

The spirit of Mark Twain was still alive, too. From

Washington, the West and the World

town to town, over an area the size of Europe, the anecdotes were passed. In almost every Main Street this sign was to be seen in some window: "Great Bargains in Real Estate. Bring your own Container."

They told of the farmer, driving to town in his Ford at the height of a dust-storm, who espied a south-western "ten-gallon" hat by the roadside. Stopping and picking the hat up, he was astonished to find a head beneath it.

"Well, stranger!" he exclaimed to the head, "Air ye gettin' along all right?"

"Oh, I'm O.K.," replied the head. "You see, I'm on a horse."

Pulled along by humour of this brand, men exist.

But there is another remedy. People in Wall Street, in Chicago, in New England may inveigh against "governmental interference," against "this *planning*—communism, I call it!" Yet, face to face with the man-made tragedy of soil erosion, human beings of the slightest comprehension cannot escape the certainty that the only fundamental remedy is co-operation—common activity of men through their agency, government.

Few people, of course, believe that the great American desert will be rescued by planting trees. The pioneers tried to plant trees here once, and found they would not grow. Mr. Roosevelt's proposed tree belt has elicited a measure of scorn in more than a few sod huts. But these same prairie dwellers, when they escape from the fatalism and futility which the repeated buffets of nature have induced, know that nothing but organisation by men can rescue not only the high plains but the menaced rich wheatfields as well.

The Roosevelt Administration is tackling the problem vigorously. Better lands are being found for dry farmers, they are being persuaded to move, and the old desert lands are being converted back to natural prairie in so far as this process can be accomplished. It will take years for a growth of sparse vegetation to get a foothold, but there is

Washington, the West and the World

hope that ultimately the old prairie on which the buffalo roamed can be replaced. Then, and then only, will the dust storms be under control.

So vast is the problem that men who have grasped its immensity have full sympathy with the land-utilisation program of the Administration. Some of them, the anti-bureaucrats, doubt if the necessary administrative machine can be made to work on so great a scale. But it is war, and the type of national machine necessary to prosecute that national policy is required to win the victory over man's cupidity during the last war.

The elemental problems offered by the dust storms are perhaps the grimmest and most graphic proof that self-conscious governmental intervention must be the order of the New America. Any Administration in the United States will have to grapple with the same elements, and come to roughly the same conclusion. On a lesser scale, the problem is repeated all over the country. The south is marked with eroded ravines like the mountains of the moon. Lands have been stripped of their vitality. Living standards have sunk with the fertility of the soil. Again, men working alone cannot be expected to win out. Again, co-operation within the framework of government is required.

With the passing of the physical frontier in America, therefore, the time has come when conservation and rehabilitation are past argument. Should a conservative Republican Administration be elected to office to-morrow, its answer to the national problem would perforce be the same.

II

AND now it is necessary to return from real America to synthetic America—in a word, to Washington. The first question attempted in this article had to do with the elements and the seasons, because they are the

Washington, the West and the World

basic facts in any nation. The next question must be recovery.

Here we enter a bitterly difficult field. It is easy to be dogmatic about what is happening in the United States in these tense months if you have come down definitely on one side or other of the New Deal fence. But if you are struggling—as is this correspondent—to be fair to both sides, your task is enormously complicated.

The facts respecting recovery divide themselves into two groups. On the one hand, it is possible to adduce a number of favorable statistical factors. Most of the detailed statistics are favorable. Certainly if you walk the streets of our cities, or ride our country highways, you would not think you were in the midst of a great depression. Things are shining in many places. Washington, of course, is a boom town. It swarms with government employees, and prices are sky-high. The South is doing very well; the automobile factory towns flourish. In any part of the nation the highways are crowded with glistening new motor-cars, whirling at devastating new speeds, while the accident toll mounts. Shiny motor-cars are taken as an index of recovery, no matter how many crumpled masses of new sheet-steel and chromium you see quietly towed away.

On the other hand, if you refuse to accept these general statistics, and say with New Deal critics that the only test of recovery lies in the size of the relief rolls, you become very pessimistic indeed. For the number of people on relief, all through this warm and buoyant spring, is at a peak height. Figures vary slightly, but there is no denying that over 20,000,000 men, women, and children are living on the money that the Treasury so easily borrows from the banks.

Both sets of statistics are strictly accurate. And it is equally dangerous to draw sweeping conclusions from either. The safest conclusion is that the United States has about kept pace with other favored nations—like

Washington, the West and the World

Great Britain and the Dominions—in recovery, that modest progress is regularly being made, that the relief expenditures and governmental borrowing are bad but necessary and not nearly so shocking as conservatives plead, that we are about as near to the middle of the road as may be.

If you are interested in details, here are a few: the March tax collections were 43 per cent. above those of March 1934; automobile production for the first quarter was the highest in eight years, excepting only 1929; freight shipments are 24 per cent. above those of a year ago; machine tool orders for March were 29.5 per cent. higher than a year ago; steel production in the first quarter was at 49.3 per cent. of capacity as compared with 40.3 last year; wholesale commodity prices were 7.6 per cent. above 1934; residential building is the largest since 1932, 42 per cent. above last year.

But beneath all these indications is the fear that artificial stimuli, such as public works and vast relief spending, are building false recovery instead of true. And to out-and-out opponents of the New Deal, such statistics are puny beside the fundamental evils which they see in the American scene.

Futile to arbitrate between these groups. Either you are for or you are against, and you know the reason why. But for Mr. Roosevelt the chief problem is that the popular discontent which swept him into the White House is welling up in opposition. There has been a definite breach between the Forgotten Men and their first paladin. The discontent groups, even if they are getting regular support from the relief rolls, are dissatisfied still. They are spread out behind diverse banners. Some follow Senator Huey P. Long, in the "Share-Our-Wealth!" movement. Others are zealous crusaders in the radio army of the Reverend Father Charles E. Coughlin, with his Union for Social Justice. Dr. Townsend still has his loyal legions of old folk, who are cruelly disillusioned now that Congress refuses to pay them the promised pension of \$200 a month. In

Washington, the West and the World

corners of the country are other strong groups : the Progressive party of Senator "Bob" La Follette commands Wisconsin ; the Farmer-Labor party in Minnesota has a vigorous and ambitious champion still in Governor Floyd B. Olson ; left-wing movements of this type extend through the Dakotas, Montana, and Colorado into the extreme north-western state of Washington.

But much more important is the fact that all over the country people are saying : " I don't see that this fellow Roosevelt is doing much better than Hoover. Whom shall we support next ? " They are eager converts to any politico-economic medicine man who comes down the road or over the air-waves with an attractive program.

On the right-wing—and it must not be forgotten that normally the United States prefers to be conservative and *'laissez-faire* in its politics, along the Coolidge model—re the millions of cross-roads philosophers who detest the alphabetical experiments. They find the NRA's Blue Eagle ludicrous now that it is fly-specked and unobserved ; they are feeling the pinch of rising food prices ; they don't like big government spending in theory, and this is a basic American reaction toward any Administration, although each is anxious to get his slice of the pie when it comes around locally ; they are still pathologically resentful at Secretary Wallace's old program of plowing under, and the slain little pigs have hurt the Administration more than any other factor ; in short, the grass-roots citizen has a surfeit of government—any government that attempts much.

III

TRANSLATED into Washington terms, this has meant a very sticky Congress. But it has not been an impossible Congress. Slowly, with irritating difficulty, the Administration has been getting what it really wanted. The major victory was the passage of the Work Relief Bill,

Washington, the West and the World

with its appropriation of \$4,880,000,000. Prophets of gloom who anticipate Mr. Roosevelt's fall and talk about the revolt of Congress cannot deny that in that single congressional authorization he got a weapon which is the chief instrument for his coming policy and may be the means of his re-election.

As for the rest of the President's legislative program, the chances are good for reasonable success. The Social Security Bill has had a rocky time, but it emerges; too late, of course, for the state legislatures to carry out its provisions this year. Indeed, it was too late before the session ever started. Mr. Roosevelt was a twelvemonth slow with his social insurance program, because most of the state legislatures met this year but will be in recess next year. Even if the omnibus Bill is passed by this Congress, its basic provisions will lie dormant until 1937.

The Banking Bill is possibly the most important measure, after the Work Relief Act, of this session. It represents the viewpoint of the debt-ridden west, anxious to set up its own democratic control over the well-springs of credit in the east. It typifies the ultimate passage of real power in the United States from Wall Street to—say—Salt Lake City, whence comes Marriner S. Eccles, the Mormon Governor of the Federal Reserve Board. But this is a change, too, which the passing of the frontier has wrought, and it was foreshadowed in Mr. Roosevelt's very election to the Presidency. Powerful groups are fighting the Banking Bill, and it would be rash to forecast its passage or to predict just what amendments may be attached to it. But the Bill may be the most significant sign of the times, a vast extension of government into banking as the ultimate twilight of American individualism. But it is late in the evening to speak of such things as if they were innovations.

As to the favorite alphabetical targets, NRA and AAA, they are bound to see drastic change. Already the Administration has made real or feinted retreats in many aspects of these policies. If NRA is not extended by its expiry

Washington, the West and the World

date of June 16 the President threatens to hold Congress in town until the deed is done. But its extension on the terms now proposed would mean an enormous alteration of the original terms written back in the brave New Deal world of 1933. Court decisions have riddled that structure; non-compliance has done more; compromise at the top in Washington completes the fettering of the Blue Eagle.

So, too, the Agricultural Adjustment Administration finds its basic provision—the processing tax, which manufacturers collected to hand over to farmers—under a bitter combined attack from textile interests in the old New England land of looms and the new Southern industrial empire. The political revolt of these regions has already drawn concessions from the President. There is no disguising the serious difficulties of the textile industry, due to continuing over-production. These difficulties have existed for fifteen years, but the political consequences are once more laid at the White House door. The remedy is plain: either the industry must persuade people to wear more cotton by popularizing, cheapening, or bettering the product, or, failing that, it must face the inevitable readjustments to consumer standards which do not admit of former cotton goods consumption.

In any case, from Pacific to Atlantic, President Roosevelt is riding the waves of mounting discontent. He is, in short, in precisely the plight that every crisis President of the United States has found himself in during the third year of his term. Now has come the really trying period. The honeymoon has long since worn off—and Mr. Roosevelt prolonged his beyond all precedent. The teeming majorities of his present Congress are, as every European observer knew they would be, an embarrassment of riches. They are a temptation to insurgency. The disciplinary effects of a coming presidential election will not be felt for another twelvemonth. Indeed, it is extraordinary that the President's difficulties are not greater. He is at the turning

Washington, the West and the World

point. Should his prestige continue to decline, he can count on difficulties in geometrical proportion. If he can ride the storm, ever so barely, Congress will be sent scuttling home early in July, a period of quiet will result, and by the time the legislators return in January the party discipline of a new election will cast agreeable shadows before.

Already, of course, the Presidential election is being canvassed. Naturally Mr. Roosevelt will be renominated by the Democratic party. The Republicans are making a great deal of noise and raising dust about "re-birth of the party" and talk of regional meetings across the country to rebuild strength. This is the greatest sign that stability is returning to the country. When the Republicans emerge from their clubs and caverns, and dare to look at the Presidency, it is a sign that business must be better.

But the prospects are far from charming. The plain fact is that no Republican of worthy dimensions is in sight. The party needs one thing only, a man. Man there is none. Effective control of the party still rests with conservative leaders in the east, who know perfectly well that their candidate must come from the mid-west and be tinged with "liberalism." Former President Hoover irritated them beyond measure by a trip to and from New York and his California retreat, during which he refused to deny publicly that he would seek the party nomination, saying that such a step would destroy his influence in the party, or his ability to control the nomination of another. The Old Guard party leaders would be extremely happy should Mr. Hoover take a sudden fancy to go to the South Seas.

But their problem still remains unsolved. In their dismay, there is talk of nominating a conservative Democrat, like the redoubtable "Al" Smith, and combining the "discontent" right-wing vote of both old parties. Such an expedient would be a political risk of the first degree, particularly against a master tactician like Mr. Roosevelt. Remains the old and traditional course : nomination of a

Washington, the West and the World

"safe" man who could straddle all issues, and attempt to draw together all possible elements, conservative, liberal and nondescript. The trouble is that such a candidate would be as dull as a ham sandwich, and there is no individual of eminence in line for the task. Chiefly mentioned are men like Senator Arthur S. Vandenberg, of Michigan, and Colonel Frank Knox, publisher of the *Chicago Daily News*. Neither excites the slightest enthusiasm.

The solitary Republican hope lies in the welding of a strong left-wing coalition by Huey Long or somebody else, which would filch away the "forgotten-man" vote from Mr. Roosevelt, polling five or six million votes, and leave the thirteen million of "irreducible" Republican votes. Such a program presumes that the Left could possibly unite on one candidate and one platform, of which there is at present no sign, and many doubts. It also assumes that a radical leader, once he got going, would not run away with the show. Both are substantial risks.

So, in the long run, the betting is still heavily on Mr. Roosevelt for re-election. Even Huey Long, on his side, and the Republican leaders, on theirs, admit privately that this is the case. To a friend who chided him on the impossibility of winning in the 1936 elections, Huey replied the other day: "Are you tryin' to teach *me* politics? Of co'se I cain't win, least not in '36. But watch my smoke in '40. I'll be fo'ty-seven yeaahs old, and if I don't skin that ring-tailed weasel of a Roosevelt then I'll jump in the bayou." And a Republican observer of acuteness, after combing the middle-west, said: "Roosevelt has weakened, but not enough."

So much for dust storms; so much for recovery, and legislation and presidential politics. It all reveals an America of traditional pattern, a President in difficulties, an obstreperous Congress, and an unpredictable future.

Washington, the West and the World

IV

OF much greater interest to those of us who still remember that there is an outside world is the wave of insulation—not isolation—which is dominating the nation's latent foreign policies.

Congress has recently done these things :—

It has refused to adopt the McSwain Bill, which would have meant setting up machinery of unprecedented proportions for industrial and military mobilization and universal draft. Instead, a rampaging House minority of liberals converted the Bill into a stout non-participation-in-war measure.

It has amended the Work Relief Bill so that no more money from this source may be spent for naval building.

It has spawned half a dozen or more resolutions, not yet enacted, intended to prevent shipment of American munitions or materials of war to belligerents in a future war, to re-define the doctrine of freedom of the seas, to prevent loans or credits to belligerents, to warn Americans that if they loan abroad or travel abroad or sell abroad in wartime they must do so at their own risk.

Previous to these activities it is true that Congress passed monumental national defense Bills, for army and navy alike. But it stopped short at the army's projects for great expansion, it cut in two the navy's shipbuilding requests. And its latest temper was far more anti-military than in the early days when the Appropriation Bills went through.

President Roosevelt, it became known in December, was profoundly interested in re-definition of American neutrality policy. He spurred others on to a study of the subject. Congress did not need much spurring. Indeed, so fast has the "neutrality" drive gone that the President has been forced to back water and intimate that he will introduce no measures on behalf of the responsible Admin-

Washington, the West and the World

istration itself. What individual members do is their own concern.

This vast surge toward non-participation in a future European conflict springs of course from memories of the last war. It springs, too, from the organized peace movement which has turned in despair to this isolationist approach to world problems, finding every other avenue blocked. It springs from the insurgent "soak-the-rich" temper of western and south-western Congressmen, who feel that war, munitions-commerce, and foreign lending are all part of the Wall Street or international-banker game.

Of course this insulation drive is all totally academic. Only when the crisis comes will the real struggle begin. But simply because the American Congress is now preparing legislation making mandatory the choking-off of commerce with belligerents, it is possible to hope that the chances will be equal, at least, of rendering American neutrality in another war more genuine than it was in the early years of the last war. If the nation must get into the conflict, it should at least have a free-will decision.

The batch of neutrality resolutions already introduced in Congress must be battered into proper form. Perhaps nothing will emerge. But the world at last has the spectacle of the United States considering putting its "neutral rights" of trading with belligerents into cold storage. Spokesmen as varied as James Brown Scott, the international lawyer, Will Rogers, the rustic wit, and Father Coughlin, the radio orator, have sponsored the campaign. Even Mr. Hearst has been silent.

Insulation, therefore, is the key to American sentiment on foreign policy. It is not precisely the policy of the Administration, as manufactured in the State Department, or the Navy Department, or the silver bloc. The State Department is dormant on foreign politics while pressing the reciprocal tariff treaty campaign with fervour and some few results. The Navy, with President Roosevelt's

Washington, the West and the World

apologetics, is conducting manoeuvres in the Pacific intended to "show Japan that we mean business!" And the silver bloc continues pressure on the Administration, which in turn drives the price of silver upwards, and upsets the Far Eastern balance still further by pushing China into the arms of Japan.

Behind these inconsistent vagaries stand the people. They are profoundly shocked at the European situation, profoundly anxious to keep out of trouble, and in a mood to be led through the risky toils of isolationism to a cleaner and clearer relationship with the rest of the world, based upon a determination not to furnish the sinews of the next war.

United States of America,
April 25, 1935.

THE LAST PARTITION OF AFRICA ?

Io giudico ben questo, che sia meglio essere impetuoso che rispettivo: perchè la Fortuna è donna, ed è necessario volendola tener sotto ed urtarla.—MACCHIAVELLI.*

I. ITALY AND ABYSSINIA

MANY of those who saw the 20,000-ton pleasure-ship *Vulcania* leave the quays of Messina on February 24 as a military transport must have felt not only that Africa's last estate was "ripe for development" but that Signor Mussolini had tendered for, and secured, the chief contract for the job.

Four generals were on board that ship, and the town was gay with flags and posters. Cheering crowds were brought out by bugle-blasts from Fascist students who ran through the sunny streets. It was the same in Naples, whence whole fleets sailed for the dismal ports of Massowah in Eritrea and Mogadiscio in Somalia. In the breast pocket of each soldier's tunic was a portrait of the Duce, and on it figured a stirring slogan: "Better live one day as Lions than a hundred years as Lambs!—MUSSOLINI."

Elaborate and costly was the freight, human and mechanical, that was being embarked. Storm-troops and engineers, doctors, stretcher-bearers, cooks; skilled artisans and labourers, signallers, electricians and radio-men. And, of course, bombing and scouting aircraft, with tanks great

* "I hold that boldness is superior to caution in the affairs of men; because Fortune is a woman, and he who would master her must handle her roughly—even brutally."—*Il Principe*, cap. xxv.

The Last Partition of Africa ?

and small; motor-lorries, field-guns and mechanised "heavies," barbed wire, and petrol in thousands of barrels, besides road-making machines to lay carriageable tracks at eight miles a day in wild hostile spaces. It is clearly a big contract that Mussolini has in hand. He leaves nothing to chance, or to reckless and feeble foremen—as Francesco Crispi did in his Ethiopian venture in 1896. A visitor once put this question to Mussolini: "Do you think a dictator can be really loved?" "He can," was the quick reply, "when the masses also stand in awe of him. For they do love strong men: the crowd is like a woman in this respect."* The simile crops out again in the preface to the Duce's thesis on Macchiavelli which figures in the *Scritti e Discorsi*. "Woe to the weak and the cowards," he cried at Foggia, "and to the unprepared in spirit and in arms!" Looking back upon his own life, Mussolini can vow that its greatest glory was to have been a good soldier; for that proved *la forza d'animo* amid all the terrors of shot and shell.

Whether the Duce would have plunged so boldly if he had visualised Hitler's Germany as the "pike in the car-pond" (of old Bismarck's warning) it is now too late to surmise. For Italy's forces are already encamped in Eritrea and Somalia—those two forlorn and widely sundered colonies in north-east Africa. How men and munitions were got ashore there—especially at Mogadiscio—no one knows but Emilio de Bono, the new High Commissioner; he was an original Fascist Quadrumvir of Mussolini's March on Rome.

It will be seen that Mussolini's task is a formidable one, and that he is committed to it irrevocably. How can it be accomplished? Here we get a shrewd hint from Berlin, where more is known than the protagonists are aware. In the satiric *Kladderadatsch* appears a significant cartoon. M. Laval is dining with a naïve and gleeful

* *Quando la massa nello stesso tempo lo teme. La massa ama gli uomini forti. La massa è Donna!*

Italy and Abyssinia

Signorina. He is eating nothing, but he is telling Miss Italy how to tackle with her knife the "alpine" pudding which a John Bullish *maitre d'hôtel* has put on the table between them . . . "Take it slowly," (her suave escort says) "*piece by piece—so that it may do you good!*"

The full terms of the Franco-Italian arrangement in January last have not been revealed. Together with our own cessions of territory last year, they left Italy with over 900,000 square miles in Africa. But when all is said they were meagre miles, mainly desert spaces with oases in between; poor outlets for Italy's settlers in an era of rigid nationalism in all lands, with her immigration quotas cut down in the United States, and even in Argentina and Brazil.

What Italy needs above all is economic liberation from the so-called "war-servitudes," by which is meant dependence upon foreign supplies of meat and cotton, of fuel oil, the primary metals and other commodities for her industries. This matter was debated by the Supreme Committee of Defence at its session in Rome on February 20 last, with Mussolini himself in the chair. "Our poverty in raw materials" was the fluent theme. Home production was to be intensified, from agriculture to hydro-electric power. The entire kingdom must prepare those measures which alone ensured "that any eventual war effort should develop such conditions as to result in victory." This was the new *italianità*. Ever since Italy was united she has looked to Africa for wider scope; propinquity and climate made it the natural field for her enterprise. But she was a late-comer in the scramble for colonies. Tunisia was coveted above all, and was even settled by Italians. France, however, backed by Bismarck and Lord Salisbury at the Congress of Berlin, declared a protectorate over Tunis in 1881. Thereupon Italy looked farther east and encouraged her trading companies in Red Sea deals. One of these bought the port of Assab for a song from a lowland chief, a shadowy suzerain of Abyssinia. This name, incidentally, derives

The Last Partition of Africa ?

from the contempt of its Arab invaders. To them it was the "Land of Habash," that is, of mixed races. Even now the black slaves brought over the Red Sea for sale in Mecca, Medina, Riayadh and Taïf are known as "Habashis," and are still sold in open markets, even at the gates of the great Ka'aba Mosque to which every pious Moslem turns at the hours of prayer all over the globe. With Assab as a nucleus, Italian interests spread to Beilul and Massowah, in Eritrea. By 1882 the Government at Rome had taken over control. Already that process of encroachment, of which the Emperor Haïlé Selassié now complains in Geneva, had begun, and Ethiopia's kinglets grew uneasy about it. Their mutual feuds were dropped when the Massowah sea-gate was closed to the free transit of goods for a loose highland realm which the world forgot or ignored.

Italy was already in touch with the Aussa Sultan and with Menelik of Shoa through Count Pietro Antonelli. But the ruling caste, people of the Semitic Amhara, were on wary watch. At no time could they control the lawless raiders of their marches ; hunters of slaves, looters of cattle and ivory. These *shiftas* afflicted the Khedive of Egypt so far back as 1875, and he sent a protective force to the Ethiopian border under Austrian and Danish officers. Open war came soon. King John of Tigré fell on those invaders with a large army. Only a handful of Egyptians escaped that bloody day to reach Massowah, and to recall to European minds Lord Derby's warning of the "extreme impolicy" of any attempt upon Ethiopia's sovereignty. Our own punitive expedition in 1868 had been a luminous lesson in point.

Italy, however, was over-eager for dominion in these parts. She occupied Asmara in Eritrea and signed the so-called "Ucciali" Treaty of Friendship. This was later on denounced by Menelik, who claimed to have found in it a grave discrepancy between the Italian and Amharic texts—the one making Rome the sole medium of his future contacts

Italy and Abyssinia

with the Powers, the other leaving this optional. From that discovery began a mistrust of Italy's good faith which has continued to this day. As "Negus Negasti," or King of Kings, Menelik sent Ras Makonnen of Harrar to Rome as his envoy. Soon the Ethiopian war-lord heard how Italy favoured Mangasha, son of the late King John, who had been killed in battle with the Sudanese. When they menaced Eritrea in 1893, Italian forces were brought into play against them. Prince Mangasha made common cause with Italy, while Menelik himself decided upon "national" action against *feringbees* (foreigners) whom he hated above all others for their devious ways.

So disaster was near. Two serious reverses forced the Italians back. Reinforcements were sent under General Baldissera, but his impetuous junior, Baratieri, decided to attack before these came up. Menelik's host was strongly posted in the heights of Abba Garima, near Adowa. Baratieri's brigades were slaughtered in detail. Two generals were killed, another badly wounded. Thousands of prisoners were taken: no rout so complete, no such humiliation of a white Power had been known in modern times until the debacle of Spain in the Moorish hills at Anual in 1921.

Italy's own Commander-in-Chief was the first fugitive to reach safety at Adi-Cajé. Court-martialled in Rome, Baratieri was set free with a blazing verdict on his incompetence. Crispi's Cabinet was swept away in the storm of public wrath and stricken pride. A hasty peace was made with Ethiopia's rugged lord and an indemnity of £400,000 was paid to him. He was at last supreme in his own domain. Foreign nations now courted him, with a new sense of the importance, political and economic, of this age-old monarchy which had somehow survived as "an uplifted island of Christians in an ocean of pagans for more than fourteen centuries." These are Menelik's own words from the pathetic Note he sent to the Powers in 1901, mourning his loss of access to the sea and pleading

The Last Partition of Africa ?

for at least one port for the commerce of his twelve or fifteen million people.

II. THE INTERESTS OF THE POWERS

AFTER Menelik's victory over the Italians, we sent Mr. Rennell Rodd (now Lord Rennell of Rodd) to the barbaric Court of Addis Ababa. Two Russian and three French missions followed. From that day to this, from the rout of Adowa to the fateful clash at Wal Wal wells last December, Ethiopia has been more or less "in the news." And she remains a perplexing problem for the three Powers whose possessions march with her own enormous lowland moat; this is the desert of scrub and thorn that stretches from the Indian Ocean and the Red Sea to the rocky bastions and Alpine ranges of Abyssinia proper.

Perched on that plateau, with a perfect climate and the richest of soil, is a land to which all eyes have been turned of late, even those of the United States and Japan. The Secretary of State, Mr. Cordell Hull—that champion of America's exports—has transferred Mr. George L. Hanson from Moscow and the Far East to Addis as Minister and Consul-General, hoping to open up new markets for American trade. The Japanese are especially admired by the lonely little Emperor, as a people great in war and commerce. He knows the story of their meteoric rise; of their passion for education (which he urges so earnestly on his nobles); and of the racial ostracism which Japan has countered with power-politics that embarrass the Western nations.

After his coronation, Hailé Selassié sent his Empress to Jerusalem and the Ethiopian Holy Places, while his nephew, Prince Araya Araba, went to Tokio on a special mission. There the young man fell in love with Viscount Kuroda's daughter, but the match was broken off—through Mussolini's influence, it was said. Trade experts from Osaka were then

The Interests of the Powers

invited to Addis, and a concession of 2,000,000 acres of land, ideal for growing cotton, was given to Japan by the Emperor. Of late, Italy's trade through Massowah and Mogadiscio has fallen off alarmingly, swamped in Ethiopia as in other markets by the Japanese.

Italy's two colonies have been economically worthless and stagnant for many years. In between them come the French and British enclaves, which are likewise poor enough. From the French port of Djibouti, however, runs the only railway (a metre-gauge line, 487 miles long) that links lofty Addis Ababa with the hot, unwholesome Red Sea coast. So the three Powers are encamped afar off in the endless lowlands. Here pastoral nomads have followed the rains for ages with their flocks and herds, camping at brackish wells among the limestone rocks and hunting scant herbage among the mimosa-jungle and thorns. Eritrea is a dismal patch. Amid arid plains that sweep back from a coral coast lie salt basins where the mercury rises to 140° in the shade. A short line connects the port of Massowah with Asmara, the capital, 7,800 feet above sea level. This is no place for white men. Nor is the larger colony of Somalia, far to the east, at whose port passengers and goods must all come ashore in lighters.

Yet at the present moment Italy has landed 50,000 troops with all the panoply of modern war. To house and marshal them, together with a native *milizia mobile* of equal number or more, will take time and money. And if Mussolini looks to the harassed Emperor to foot the bill, it is hard to see how the funds can be raised, for the Land of Habash is incredibly poor. Outside the few sprawling towns the traveller passes abruptly into primitive Africa. No roads or bridges; a wilderness of wild beasts, of lofty peaks and tremendous ravines, with here and there the fortified castle of a kinglet. Such is Wolda Ras Hailu of Gojam, who "came to town" for the Emperor's coronation with an army of his own and thousands of retainers and slaves besides.

The Last Partition of Africa ?

It is in the Gojam highlands, where that feudal potentate rules two million people, that the Blue Nile, or Bahr el-Azhar, takes its rise. This mighty stream, fed from perennial springs and unfailling rains in the Ethiopian plateau, is the very life of Egypt and the Sudan plantations. Here, then, is another knot in a tangle that may be rudely cut, and one that may explain much that is hidden at Geneva and in the Foreign Offices of the European Powers concerning the incidents of the past few months.

After Italy's rout at Adowa, Menelik's ambition grew. He dreamed of an Ethiopian empire from the Red Sea down to the Victoria Nyanza. But he was already shut in on all sides, and his plea to the Powers was dismissed as a mere pious wish. Moreover, it was high time to delimit his frontiers, first of all with the Sudan, later on with British East Africa and Uganda. In the Treaty of May 15, 1902, Menelik agreed, *inter alia*, not to obstruct the waters of the Blue Nile or of Lake Tsana from which it flows. He also conceded the right to build a railway through his territory to link the Sudan with Uganda. Proffered treaties came crowding on the Emperor, even from Germany and the United States, but sporadic troubles at home distracted him. France scored heavily with her railway monopoly, successfully resisting early British and Italian desires that it should be internationalised. A compromise is to be seen in the tri-partite treaty of 1906, in whose preamble the common interest of the three Powers is set out: "To maintain intact the integrity of Ethiopia." Should the *status quo* be disturbed, concerted action was to be taken for the protection of their respective spheres.

These were clearly defined. For France, her Somali hinterland, with the Djibouti-Addis railway zone. For England, the great Nile basin—always with stress laid on that vital fount whence the waters of the Bahr el-Azhar tumble out of a crater-lake in the sacred heights of Gojam. For Italy, the hinterlands of her Red Sea and Indian Ocean

The Interests of the Powers

domains, as well as an overland route from Eritrea to Somalia, passing west of Addis Ababa.

After Menelik's death came a lurid spell. His grandson, Lij Yasu, whom he had nominated as his successor, was an erratic lad. As regent, he kept Princess Zauditu (Judith) in gaol. Then during the Great War he favoured German and Turkish interests, even turning a Moslem to the dismay of all his kinglets—to say nothing of the Abuna, or Coptic Patriarch (who is always a foreigner from Alexandria), or of the Ethiopian *Echegheb* or High Priest, or of all the bishops and hierarchs in a land where holy men are almost as common as chattel slaves. Young Lij Yasu sided with the "Mad Mullah" in Somaliland, and even sought to convert to Islam a people who have been Christians (at least in name) ever since 330 A.D. So in 1916 the whole empire rose against him in wrath and horror. All the vassal kings took the field: the kings of Shoa, of Tigré and Lasta; of Gojam, Amhara, Gondar and Jimma. Sixty thousand warriors of both creeds met in a bloody crusade at Sagalleh. Already the apostate ruler had been deposed by the Patriarch on the Feast of the True Cross, September 17, 1916. Zauditu was set free and made Empress, as great Menelik's daughter. Appalled at the chaos, she called upon her young cousin, Ras Tafari Makonnen, to assist her; he was thereupon named Regent and heir to the throne. In that fierce civil war it was the Cross that won. Yasu escaped, but his father was paraded before the victorious troops in Addis, bound with chains to the dusky knight who had captured him. The fugitive and cause of all this woe was found hiding among the savage Danakils of the lowlands in 1920. He is still a State prisoner—if he is yet alive.

From the first, Ras Tafari (who is the present Emperor) found his co-ruler opposed to his progressive ideas. Zauditu was in the hands of reactionary prelates; but her grimmest counsellor was the Minister of War, that old xenophobe, Fitaurari Habta Giorgis, who had fought at

The Last Partition of Africa ?

Adowa. The new Regent favoured education. He loved the radio, bought aeroplanes, urged the making of roads and the employment of modern hygiene, instead of leaving the street cleaning of the capital to night-prowling hyenas and wild dogs. The aged War Minister cursed all these notions, and his Empress grew weary of the conflict. She began the custom of inviting to Court those petty kings who were dangerous—and then keeping them there. Surly Ras Hailu of Gojam refused to pay homage. The fortress of Ras Balcha of Simien is forty days' travel from Addis; and with his lion-maned chiefs, his spear-and-shield braves and hordes of fighting serfs around him, that far-off lord defied the Imperial command—"You know where I am: come and fetch me if you can!" It is such as he who have gone looting and slave-raiding in British territory, as our Foreign Office White Books tell.

In September 1928, the harassed Empress crowned her cousin as joint King with her. He had already toured Europe—taking possible trouble-makers with him in his train and spending far more money on that jaunt than a feudal Treasury could afford. Rome vied with Paris in efforts to impress the King and his Rases, mainly in a military way. There were reviews of troops and sham battles of all arms, with smoke-screens hiding storm detachments from the bombs of swooping aircraft. Of these last, King Tafari bought a few; they came in useful in 1932 when dealing with his own rebel barons, whom he now wished to see as "provincial governors," giving up their hordes of slaves and remitting taxes to the Addis Treasury in good Maria Teresa thalers, rather than in bars of rock-salt or cartridges, which still pass as money outside the towns.

When Menelik's daughter died (worn out at fifty-four) her co-ruler was crowned King of Kings, with the added titles of "God's Elect," "Conquering Lion of Judah," "Power of the Holy Trinity" (Hailé Selassié) and Emperor of Ethiopia. At his coronation, there were

The Interests of the Powers

mighty parades of Hailé Selassié's modern army under its Belgian and Swedish instructors. But the princes also made a brave show, with their own yeomen-at-arms led by nobles with jewelled swords and towering head-gear of gold braid, bristling with lions' manes. A frail little Semite, with hands and feet incredibly small and skin of old ivory hue, Hailé Selassié uses an immense motor-car with high seats behind it for footmen and guards. But he bought also the former Kaiser's state-coach, and drives out in this drawn by six horses. His reforms are many and sweeping. No longer do robber corpses rot and swing from the gallows-tree in a sprawling market-place. He has a passion, too, for schools and hospitals. In the Dessye Province—which his son, Crown Prince Asfa Woosan, rules so wisely—there are hospitals under Norwegian doctors where tens of thousands of patients have been treated. But the Emperor's most far-sighted and momentous move was his adhesion to the League of Nations, where his cause has been ably presented by his envoy, Negradas Tekla Hawariate, instructed by the Foreign Minister in Addis, Blaten-Gueta Heruy.

The origins of the present dispute lie deep in the tangle of past history and of the rival interests of the Great Powers. We have long been anxious over those Nile waters in Ethiopia and their seasonal conservation, in view of present and future irrigation works in the fast developing Sudan and in an Egypt of ever-growing needs. The 1902 Treaty with Menelik banned any Ethiopian action in the Lake Tsana barrage without agreement with us. This negative undertaking was repeated in the 1906 Pact. But the prelates and farmers of Gojam feared that any dam might swamp the holy places and ruin their crops, thus verifying Isaiah's vision of Ethiopia as "a land the rivers have spoiled." In vain were the benefits of this costly work explained to them: motor-roads, an end to the mosquitoes and malaria, proper control of waters which wrought havoc at times. It was useless. The old in-

The Last Partition of Africa ?

trigues buzzed again in the Court, and in polyglot bureaux where white advisers from many lands had taken service. Italy's view was that the Lake Tsana crater was in her own sphere. To the Italian mind, all Ethiopia is Italy's own proper sphere—her last and richest hope in the 11,000,000 square miles of Africa, whereof her existing share is but a few grudging desert doles.

It was Italy who in 1919 approached us with plans for a New Deal. She would now push our claim in Addis for that Nile dam if we would support her own claim for a trans-Ethiopian railway to join Eritrea and Somalia. To build this line our projected Sudan—Lake Tsana motor-highway might be used for the transport of her own material, as well as for that of our workers and machinery. A further request to us, and a query "in reserve" for France (who had contrived to baulk Italy's every move in North Africa) was an exclusive sphere of influence in western Ethiopia, and also in the whole region to be traversed by her dearly desired railway. This bold proposal, however, hung fire. In 1924 it was again pressed, and in 1926 was embodied in a curious pact. This leaked out, to the wrath of France and of the Regent, to whom it was terrible news. He hurried to tell the League of it—for to him Geneva is the hope of all weak States against the trampling *virtù* of modern Macchiavellis. From the British Foreign Office and the Sala del Mappamondo in Rome came soothing words. They meant no harm, no infringement of Haile Selassie's sovereignty. Mussolini added balm with his 1928 Treaty of Amity and Conciliation; a second gesture was the offer of a motor-road from Addis to Assab by way of Dessye, with a free zone for Ethiopia in the Eritrean port.

From Wal Wal to Geneva

III. FROM WAL WAL TO GENEVA

BUT meanwhile there was good ground for the Emperor's uneasiness about Italy's "gradual encroachment." Her politico-military officers, with their native levies, were ever creeping farther afield in the desert marches, both from Eritrea and from Somalia. Spies brought to Court tales of new roads, of fortified posts and radio-stations well inside Ethiopian territory. So it was high time to delimit the frontiers—no easy matter in the vast no-man's-land of the Ogaden, where simple tribesmen roamed with their stock in quest of grass and water.

We were anxious to settle our own Somali lines in accordance with the Anglo-Ethiopian Treaty of May 14, 1897; so slowly did matters move in those easier times. At 11.30 a.m. on November 23, of last year, the Anglo-Ethiopian Joint Mission camped at Wal Wal, having come by the Dagah-Bur and Ado trail. Fitaaurari Shiffera, Governor of Jijiga and the Ogaden, had prepared the site and had brought with him an escort for Lieut-Col. E. H. Clifford, R.E. and the other British Commissioners.

To their surprise they were faced with an Italian native *banda*, 250 strong under an N.C.O. The joint officials were rudely ordered off, though the Union Jack was flying over Colonel Clifford's tent. Use of the wells was forbidden; and an Italian fort was now observed on a mound nearby. Next day came a letter in Arabic from Capitano Roberto Cimmaruto to the Ethiopian chief of the escort, who in reply asked for a translation of it in Amharic, French or Italian. To this reply the Joint Commissioners added a formal protest against this armed opposition to their work. Captain Cimmaruto now came in to propose a safety-line between the two forces, this to be marked upon the tree-trunks. The Ethiopian chief refused the proposal, since the spot, according to the accepted maps, was at least sixty miles within his own territory. Then came a wrangle

The Last Partition of Africa ?

over water supplies, and the Italian officer spoke of calling up reinforcements.

Next, two Italian military planes flew overhead, both of them diving low and training machine-guns on the Commission; of this act there were four British witnesses, and Captain Cimmaruto's attention was sternly drawn to such discourtesy. From threats to shots was a brief span. On December 5, at 3.30 p.m., Italian troops opened fire upon the unsuspecting Anglo-Ethiopian escort, with tanks and aircraft in support. Taken unaware, scores of Fitaurari Shifferra's men were killed; the survivors fell back on the Commission's new camp at Ado, about thirty kilometres to the rear. Boundary work was, of course, at an end, and word of the onslaught was sent from Heradigit to the Foreign Minister in Addis. Meanwhile, wounded stragglers were arriving at Ado, where an Ethiopian rearguard remained on watch over some of the Joint Commission's baggage. Here Italian aeroplanes dropped five bombs. One of these, which did not explode, weighed 27½ lbs.; it was duly photographed and then buried for fear of an accident. All told, 107 Ethiopian soldiers were killed in that Wal Wal battle, and 45 more were wounded more or less severely.

In Addis, the Italian Chargé d'Affaires called on the Foreign Minister with a tale of 30 of his own men slain and many minor casualties. Later on, the action of Captain Cimmaruto was fully approved, and responsibility for the clash thrown on the Ethiopian Government. Full apologies were demanded, as well as compensation up to 200,000 thalers and the dismissal and punishment of the escort's officers. But old maps put Italy in the wrong; they were drawn in the 1908 Treaty, by which Eritrea had also been delimited, and they followed the lines agreed upon in 1897 by Major Nerazzini and the Negus Menelik. There could be no mistake: and in evidence the Addis Foreign Office adduced the sectional map of the British General Staff, published by our own War Office in 1925.

From Wal Wal to Geneva

With all these facts in hand, the Emperor appealed to the League. The initial attitude of the League Council was to encourage the parties to try to settle the matter by direct negotiation. This method, however, proved abortive, and at the end of March the Ethiopian Government re-affirmed its appeal to the League under Articles 10 and 15 of the Covenant, and demanded a resort to arbitration. The Italian Government, in reply, insisted that direct negotiations were still useful, but agreed to the setting up of a conciliation commission in accordance with Article 5 of the Italo-Ethiopian Treaty of 1928. The League Council therefore decided to postpone consideration of the dispute to its May meeting.

In the meantime, however, Italy pressed forward her military preparations, while Ethiopia, according to Italian protests, was rapidly importing arms from European countries, Germany being expressly mentioned. On May 13 another Note was received at Geneva from the Ethiopian Government, denying the Italian assertion that the Emperor had ordered any measure of mobilisation, unreservedly pledging submission to the decision of impartial arbitrators, and protesting against Italy's hostile activities. On the same day it was announced that Italy had appointed two members to the proposed conciliation commission; but this action was followed by a provocative speech by the Duce, in the course of which he declared that "it is just in order to be tranquilly present in Europe that we intend to feel ourselves thoroughly safe in Africa." This was said, no doubt, in retort to inspired suggestions from London and Paris that Italy should settle her quarrel with Abyssinia peacefully in order to leave her hands free to deal with the situation created in Europe by German rearmament.

Mussolini's warlike preparations are undisguised. He has already an army of at least 100,000 men, white and native, on the spot, besides a formidable array of aircraft and civil technicians of all sorts, from road-surveyors to port-contractors. The high hand has been manifest

The Last Partition of Africa ?

throughout. Witness the words of Captain Cimmaruto : " I consider it my duty as a soldier to warn any of you who receive this letter that any act of violence against H.M. the King of Italy's territory will be put down by force." Colonel Clifford entered a formal protest against the Commission's being " prevented by force from moving about freely in *Abyssinia*."

The Emperor still places great faith in the League of Nations. But his highlanders stand ready to defend the ancient land against aggression. The menace has united all his princes. Arms have been bought ; only the other day Hailé Selassié in person went down to Djibouti, there to take delivery of 400 machine-guns, 20,000 rifles and 6,000,000 rounds of ammunition—all of Belgian and Czechoslovak make. Some aircraft the Emperor possesses, and a few tanks. From first to last he could probably find a million fighting men ; but his mountains and climate are his safest allies. *Geografia manda*, as Old Spain mourned when her distant colonies rose against her and viceroys on the spot had to give way. In all the world there is no more forbidding military terrain than this Ethiopian plateau, with its gorges and peaks, its rivers and rains, with malarious deserts moating it below. Moreover, every man's hand—Christian, Moslem and pagan alike—will be against the invasion by *feringbees* of a kind who are especially hated and contemned as warriors. Those memories of Adowa are unfortunate on both sides.

Whether Mussolini will push matters *à outrance* is not yet known. But in any event he will present a heavy account to the King of Kings, and this Hailé Selassié can never meet without financial or political disaster. He has nothing to gain by war, save the temporary unison of his jealous barons, and his first desire is a just peace. England and France urge peace also. But peace means different things to different minds ; usually, the parties think of it as the cessation of conflict on terms agreeable to themselves. St. Augustine, arguing that peace is the object of war—

From Wal Wal to Geneva

which Aristotle had pointed out before him—contends that even those who wage war really love peace: "They wish, not to have peace—but to have the peace they themselves desire!"

So it must be in this ultimate drama of African partition. The Ethiopian Emperor may have assumed the "Power of the Trinity" with his emerald and ruby crown; but the "Trinity of Powers"—Italy, Britain and France—must prove too much for him. Italy's economic needs are clamorous. Great Britain needs security on all her borders with Ethiopia as well as a final settlement about the Blue Nile. France, again, seeks her share of the coming spoils, including safeguards for her commercial interests in the port of Djibouti and the railway to Addis Ababa.

Great temptations face Great Britain and all the other countries concerned, temptations to seize the opportunity of Abyssinia's difficulties to press their own demands. It is vital, amid the confusion of rival interests, to distinguish between the major and minor issues involved. Settling the responsibility for the Wal Wal clash will in itself decide none of the problems of which that clash was but a symptom. Even the delimitation of the whole Somalia frontier will be of temporary importance beside the fundamental question of the future of Ethiopia. Can her independence be much longer preserved on the basis of her present feudal disorder, with all its anachronisms and all its evils, including the continuance of slavery? Or—if we rule out direct partition—is the economic development of the Ethiopian Empire to proceed under the tutelage of one or more European Powers, with the assistance of their capital and to the advantage of their trade?

ECONOMICS AND WAR

I. ECONOMIC NATIONALISM

“THE nineteenth century saw the end of the wars of religion and the beginning of the wars of economic nationalism.” Thus writes Mr. John Buchan in his *Cromwell*. Three hundred years later, the most sanguine among us would not dare say that we are at the end of the wars of economic nationalism. Perhaps, like “wars of religion,” the phrase itself is too condensed. War is no more created by economic conditions than it is enjoined by Christianity. Nor are wars begun simply to further the purposes of economic nationalism, or simply to retaliate against the economic nationalism of others. Yet economic nationalism is a vital element in the complex of fears, ambitions, hates and jealousies that divides the world into armed camps and ultimately drives it into war.

There is no compact solution to the problem of economic nationalism as a cause of war. The thought-saving faith of the communist, that war is inherent in the capitalist system, is far too simple to be the whole truth. Certainly capitalists as such do not create wars. Perhaps a few capitalists directly concerned in the manufacture of munitions have an interest in maintaining the institution of war—an interest which incidentally is shared, so far as it goes, by their employees—but capitalists as a whole, with their tentacles sucking into every land (as the communist likes to express it), are concerned at least as much as the workers in eliminating war and maintaining international concord. Marxian socialism cannot have it both ways. If, as its disciples hold, the existing economic system leads inherently to the

Economic Nationalism

class war, which of its nature cuts across national boundaries, then surely it cannot also lead inherently to the war between nations, in which all classes are ranged side by side against their fellows of another country. The retort may be that capitalist interests provoke war in order to keep the proletariat quiet. But that would be a very short-sighted policy indeed; for experience amply proves that war is the great opportunity of the forces of the Left to overthrow the established régime. The calculating communist, far more than the calculating capitalist, ought to foment war.

It is as false to reduce the economic factors in the causes of war to a political formula as it is to reduce the political factors to an economic formula. It would be conveniently simple, but it would be quite misleading, to identify the economic frictions in the present international structure with the political disputes—to say, for instance, that Germany's effort to rise superior to the post-war European system is, underneath, an effort to break the economic barriers that choke her exports, prevent her from buying her necessities abroad, and thus twist her in upon herself in a mood of egotism and resentment. The argument would be more plausible if Germany herself were not foremost in the raising of economic barriers, and if she had not herself deliberately maintained an economic system that handicaps her exports and generally puts shackles on her external trade. On the other hand, it so happened that our own Import Duties Act of 1932 struck with particular force at German goods, but that was certainly not because we were at that time politically hostile to Germany, or subscribed to the doctrine of encircling her as a measure of political security.

Yet we must not neglect the truth that lies in each of these over-simplified accounts of the economic causes of war. The economic system described as capitalist (it would be fully as exact to call it internationalist) has been subject to periodical fluctuations, which appear to arise out of some organisational defect characteristic of the

Economics and War

system as we have known it hitherto; and against these fluctuations every country—mistakenly but not unnaturally—seeks to defend itself by methods of economic nationalism, which in their turn heighten political tension between the nations. The causal chain is equally complete from the opposite end. Political antagonisms are an excuse for economic actions of doubtful profit in themselves, and we know well in this country how policies of economic nationalism may be promoted by playing upon xenophobic prejudice. Economic nationalism is a vicious vortex at the turbulent confluence of two streams, political and economic. Professor Zimmern has described it as an aspect of power politics.* But it is also national economics gone wrong, a chronic defect of an economic system international in content but organised and controlled only in national units. Thus, although economic nationalism cannot be abolished, or perhaps even seriously mitigated, as a potential source of war, until political problems are solved and political passions assuaged, we can undoubtedly ease that political task by facing the economic problems of the world in a spirit of international co-operation.

II. THE PROBLEM OF GERMANY

TO-DAY, the world's political attention is fixed upon a rearmed Germany. What independent economic factors are there in the German problem, and what hope is there of aiding its solution by means of an economic *détente*? Germany's economic predicament is undoubtedly very grave. It is true that through the virtual repudiation of most of her external debt (following the erasure of internal debt in the inflation of 1923) she has achieved a precarious economic equilibrium; it is true that internal

* See correspondence on "The Economic Causes of the War" in the *Manchester Guardian* between March 13 and April 23, 1935, to which he, Professor Toynbee, Mr. H. N. Brailsford and others contributed.

The Problem of Germany

trade activity is increasing and unemployment falling. The index number of German industrial production rose by over 10 per cent. in the course of 1934; retail trade improved in a smaller but nevertheless substantial proportion; and most of the other economic and financial indices are better this year than last.

Nevertheless there are elements of great danger and difficulty in the situation. The creation of a new army, navy and air force undoubtedly strains the national finances, and lays a heavy load upon a standard of life already depressed by the artificial methods employed to promote internal industry and agriculture. In Great Britain, the average worker in employment is appreciably better off to-day than he was six years ago, a comment which is certainly not true of the average German wage-earner. But for the intensive discipline of the Nazi régime, the German workers would undoubtedly revolt before long against the price of poverty they are forced to pay for the artificial and precarious stability that Dr. Schacht has engineered.

The over-valued mark is his creation. The nominal stability of the reichsmark may have important psychological value, but its sole economic merit, from Germany's point of view, is in relation to her external debt. The higher the mark stands, the lighter is the internal burden of debts expressed in sterling or dollars or other foreign currencies. The money, it is true, is not in any case transferred to the creditors (save at a ruinous discount), but this leads on to the second stage of the manœuvre. The non-transfer of interest makes German bonds very cheap on foreign markets, where they are bought up by the Reich authorities for resale to the debtors in Germany. The profits on this cunning exchange of external for internal debt (at the expense of those who lent the money) are used to subsidise "additional" exports—that is to say, goods that without such aid could only be sold in foreign markets at less than cost price. In this way the commercial handicap of the

Economics and War

over-valued mark is greatly moderated. Though the system has worked with some success so far, it obviously contains the seeds of its own defeat; for unless there is initially a surplus of exports over imports, the foreign exchange is lacking to buy up bonds abroad, and thus the source of subsidies for additional exports vanishes. There are signs that Germany is near this critical point, when the circle ceases to revolve to her advantage. The deterioration of her foreign trade that occurred in 1934 has been continued into this year, and she now pays her way only through "invisible" exports. She is about to institute a new method of subsidising exports with the proceeds of a general tax on industry.

Her ability to achieve an export surplus by restricting imports is bounded by her need to import raw materials and tropical foodstuffs. Hence the feverish search for alternative products or synthetic substitutes. Hence, too, the propaganda in favour of a return of Germany's colonies as a source of raw materials for her industry—a favourite theme of Dr. Schacht's. This is not the place to argue the political merits of the German case for colonial revision, but its economic aspects can be very quickly dealt with. Briefly, in point of finance and commerce we should be worse off by but an insignificant fraction (probably not at all), and Germany would be better off in the same trifling measure, if Tanganyika, let us say, were transferred to her to-morrow under an equivalent mandate to our own. As a place of employment for the citizens of the mandatory country the territories in question are equally unimportant. South-West Africa, now under mandate to the Union, is perhaps of larger economic value to its governors, but in considering the colonial problem we must keep a sense of proportion. Last year this country took only 7·8 per cent. of its imports from the whole of the Empire outside the self-governing Dominions and India, including sugar from the West Indies, rubber from Ceylon and Malaya, tea from Ceylon—trade such as Germany could not possibly do

The Problem of Germany

with her former colonies, at the most nationalistic pinch, if they were restored to her intact. Moreover, we must remember that the outstanding characteristic of the world economic situation is a shortage, not of productive sources, but of markets. The economic arguments about colonial revision really turn on the question, could Germany sell more if her former colonies were in her hands? And that in turn brings us back to the main problem of her external trade and its relation to the political fortunes of Europe.

We cannot wholly dismiss that problem as her own fault. Her economic nationalism, her false equilibrium, the over-valuation of the mark, are of a piece with all the other falsities and flaws in the international economic structure. One measure of economic nationalism is met with another elsewhere, and so back again in an ever tightening noose. Germany's economic difficulties, intensified by the policies of other countries, helped to produce the Hitler régime. Hitler, partly for political reasons, partly from economic necessity, tightens the screw of economic nationalism. Thus political antagonisms are again enhanced. No one can seriously doubt that a measure of international economic co-operation—the stabilisation of currency ratios, the revival of international trade, abolition of the trade-killing system of clearings and a general lowering of "crisis" barriers to commerce—would help towards the political appeasement of Europe by relaxing the economic strain upon Germany, upon France, upon us all. Such economic disarmament is perhaps no easier to achieve than military disarmament, but it is worth the intense and continuous endeavour of every government.

Not only would it help in the general problem of Germany rearmed; it would contribute towards the solution of that fringe of secondary problems which make the central German problem so urgent and so explosive. In a régime of economic co-operation, Memel and Danzig, even the Polish corridor, would not be the source of half so many political difficulties as they create to-day. Artificial rival

Economics and War

ports and artificial rival railways are among the most dangerous products of economic nationalism in the Baltic area. Above all there is the question of Austria. Post-war Austria is an economic absurdity, a trunkless head. A great city with a quite inadequate agricultural hinterland to supply its needs and buy its products, she must live by international trade in goods and services. Unless she is enabled to live thus, all the military and political guarantees in the world are worthless to maintain her integrity. Half measures—minor mutual preferences with Italy or Hungary—are not enough. Unless there is a great liberation of trade among the countries of the Danube and the Adriatic, Austria is bound to pass into the economic and political embrace of Germany, and they will look fools who swept back the Atlantic with a broom by opposing the *Anschluss* in 1931. In this respect, if in no other, European appeasement demands economic disarming.

III. THE PROBLEM OF JAPAN

THE Japanese eruption in 1931 and since has been ascribed, with even more point than the menacing activity in the German crater, to the pressure of economic needs. She must have markets, she must have raw materials, she must have an outlet for her population. For this reason many British people, especially in Australia, have been inclined to condone the conquest of Manchuria, much as many Europeans would condone the absorption of Austria into Germany, as dictated by economic forces of our own making. Some have even thanked Providence for that conquest, in that it diverted Japanese ambitions from more dangerous quarters—the Netherlands East Indies, for instance, or the Philippines, or the British Dominions in the South Seas. This is a rational, though perhaps a cynical, view to take of the problem of Japan, but it is certainly incomplete. Japan's economico-political

The Problem of Japan

problem, like Germany's, is too often over-simplified and over-dramatised. In particular, excessive emphasis is frequently laid on her need for lands to which her surplus population may emigrate. The growing pressure of people upon resources in Japan is beyond doubt; her population increases at the rate of a million a year. But no conceivable advance in the rate of migration to oversea areas that might be made available (except possibly the Pacific coast of the United States) could by itself take care of this increase. Certainly over-crowded China cannot serve the purpose, and the Japanese have proved ill-fitted to the task of colonising even Manchuria itself, with its extremes of heat and cold. The now empty but habitable and cultivable spaces of Australia are largely a myth, but such as they are they could not, if opened to Asiatic immigration, absorb the Japanese surplus at more than a petty fraction of its annual increase. Freer opportunities for migration would undoubtedly help Japan, but her major and essential problem is trade.

Like Great Britain, she is bound to buy abroad in order to support a population that cannot live on her own natural resources. If she has to buy, she must also sell, and if she sells industrial goods she must buy the raw materials for their manufacture that she cannot herself produce. Thus Japan's essential problem is a buying-and-selling complex, and she seeks at one and the same time both markets and sources of raw materials. In the economic causes of the Manchurian outbreak it is impossible to separate her need for markets, of which she had been partially deprived by Chinese boycotts and by tariffs everywhere, and her need for raw materials like iron, petroleum and oilseeds, which she could develop in Manchuria under an orderly government. We are inclined to see, as a rule, only the less favourable side of the picture of Japanese trade, but there is another side. Japan's imports have increased along with her exports, to the advantage of countries like Australia and South Africa,

Economics and War

and thus eventually to our own. Between 1931 and 1934 Japan's exports rose from 1,118 million yen to 2,134 million; but in the same period her imports rose from 1,206 million yen to 2,246 million, so that the balance, expressed in yen, actually moved against her.

Japan's trade expansion is of political value in many ways even under present circumstances. It encourages among her people an international outlook, and among her rulers a policy of international co-operation. It is a hostage to the rest of the world. Whatever may be our political attitude towards Japan as a breaker of the peace and as an ambitious naval competitor, we serve no purpose by thwarting her trade and thus heightening her intransigence, unless it be as a deliberate international sanction, backed by readiness to blockade and even to fight if need be. The same moral applies to Germany. We make the mistake of the ostrich if we believe that by keeping Japanese goods out of Great Britain or out of colonial markets under our control we do away with them and ease the total pressure of Japanese selling. If you put your thumb partly over a running tap the water will as like as not squirt over your waistcoat. If Japan cannot sell in Nigeria or Malaya she will make still more strenuous efforts to sell in Egypt, in India, in the Netherlands East Indies, in the Dominions. Japan sells cheap because she cannot sell any other way, and sell she must. The only sane solution to the problem of Japanese trade, as the Indian cotton industry found, and as Professor Gregory points out in his report on Japanese competition to the Association of British Chambers of Commerce, is international co-operation—international regulation if need be. If we, with our great interest in three-cornered—indeed in polygonal—trade whereof Japan is one of the angles, do not take the lead, it may be taken by countries like Australia, who by reciprocal pacts with Japan will promote bilateral streams of trade to the injury of our own exports.

If, however, Japan and her competitors and customers

The World Problem

prefer the path of economic nationalism, there can be only one eventual result, a strengthening of the economic and political bonds between the two great countries of the Far East. That in itself is no harm, but against a background of xenophobia in both China and Japan, exacerbated by the nationalism of Western countries, it would be a serious menace to the rest of the world. To prevent such a split between East and West, we must approach the joint economic problem of China and Japan with the recognition that its solution is vital for world peace, and that it can only be solved by co-operation in place of nationalism. In this, the United States has a responsibility greater than any other country's. Not only is she the principal market, outside Asia, for Japanese products, and a leading exporter of such manufactured goods or raw products as the countries of the Far East require; not only has she a surplus of capital available to lend where it is badly needed, in the development of Chinese communications; she has in her hands the monetary future of China, and at her finger-tips the monetary future of the world. The perfidious disregard of Chinese interests shown in her silver-boosting policy is a very ill omen indeed; for it is economic nationalism carried to its stupidest extreme—another country economically tortured, and trade with that country irretrievably damaged, for the sake of no more than an internal political gambit.

IV. THE WORLD PROBLEM

IS it too late, or is it too early, to call a halt to economic nationalism, of which this is the most glaring recent embodiment? Economic nationalism is as much the creature of war as its creator, but it is part of that evil tangle where sovereignties meet, and where the threat of war everlastingly slashes like shears that cut and yet entwine the more. Since in this tangle we are all involved, if we are to unravel it we must act together. Europe has its own

Economics and War

tangle, and the Far East has another, each with its confused economic and political threads; but they are linked to each other and to all other regional tangles by many fast-bound knots. Political isolationism cannot disengage the most powerful country, least of all the United States. As a great creditor nation that refuses to buy, she cannot escape her full share of responsibility for the world tangle of economic nationalism; her power of contributing to its unravelment is as great as her wealth and her economic importance. In this, as in many another sphere, the British Commonwealth and the United States combined could lead the world. If they resign their leadership, posterity, looking back on the wreck of Western civilisation through its own nationalistic folly, will point at them both the finger of fearful blame.

INDIA: THE FERMENT OF REFORM

I. THE PRINCES AND THE BILL

THE chief points of interest in the Indian scene during the past three months have been the Princes' attitude towards the Constitution Bill and the budget session of the Legislative Assembly. The Princes' announcement of their inability to accept the Bill as it stood produced a good deal of excitement, but probably was not unexpected among those in touch with developments of opinion. The real difficulty is psychological; the Princes do not want a "pig in a poke." Since federation first rose over the horizon at the first Round Table Conference, their attitude, if never precisely expounded, has been consistent and psychologically intelligible. The Princes' idea of federation, when they made their famous declaration four and a half years ago, was that their acceptance and their commitments should be at once limited and rigid; the States should define which particular pieces of the scheme they would accept, and in the absence of specific further agreement on their part these pieces should be inextensible. To the holders of such an attitude the first line of the original form of sub-clause 6 (1) (a) of the Bill must have come as rather a shock—"accepts this Act as applicable to the State." To "accept the Act" is precisely what the States had never wished and genuinely feared to do.

It is true that sub-clause (b) left with the States the residuary option on subjects of legislation, and might have been held to remove the main burden of the States' complaints. Such an argument, however, misses the psychological point suggested above, which is that to

India: The Ferment of Reform

"accept the Act" is a very different thing from accepting clauses X (1), Y (2), etc. Disputed interpretations of the Constitution Act will come before the Federal Court; that Court, like all others, will base its decisions primarily on the actual words of the Act, and a State might find that its acceptance of the Act involved a subjection to federal authority, or an enforced association with federal policy, undreamt of and uncongenial. Another point of much importance arose in connection with the last three lines of Clause 2(1).^{*} What was the extent of the exclusion of His Majesty's exercise of authority? Did the presence of a specific provision in the Act bar him absolutely? If so, the States must take pause, for it is of the essence of their position that their relations with the Crown must remain unaltered and their treaty rights unimpaired.

There were other points of detail—for instance, the Railway Authority. This, as set out in the Bill, was a body whose power was nebulous and its constitution peculiar. It would expect to derive revenue from railways which it would run in competition with State railways, yet it would be no mere technical managing committee, but an organisation under the control and influence of the Federal Government. "This," say the States, "is not what we had in view." Their concept was rather one of a neutral tribunal. Difficulties may possibly also arise over the eternal problem of seats in the federal houses, particularly the lower house. Salutes and precedence among States are not proportionate to wealth or population.

These points, however, remain secondary to the psychological issue indicated above. The Bill in its original form

^{*} Clause 2 (1) runs: "All rights, authority and jurisdiction heretofore belonging to His Majesty the King, Emperor of India, which appertain or are incidental to the government of the territories in India for the time being vested in him, and all rights, authority and jurisdiction exercisable by him by treaty, grant, usage, sufferance or otherwise, in or in relation to any other territories in India, are exercisable by His Majesty, except in so far as may be otherwise provided by or under this Act, or as may be otherwise directed by His Majesty."

The Princes and the Bill

asked the Princes to perform an act of faith to which they could not rise ; their motto, in the words of the hymn, might be put as "one step enough for me." The Bill, in fact, from the States' point of view, is at once too wide and too limited. The States could have understood a short permissive Bill which left details to be worked out later as a result of experience, so that it might take a generation or two for the actual federation of India to evolve by accretion ; or, on the other hand, a Bill setting out with absolute precision and rigidity the details of the federation to which their accession was invited. What they do not understand and are inclined to suspect is a Bill which goes into detail on the limitation of federal authority and at the same time seems to imply an imprecise extensibility.

The White Paper of March 19 cleared the air and laid bare the issues. It was on the whole well received out here, the balance of criticism leaning to the view that His Majesty's Government had gone too far towards meeting the Princes. The latter's views have not yet been formally expressed, but the last word on this issue is unlikely to be spoken before this article has left India, or indeed until the last days of the Bill's life before it becomes an Act. As already remarked, the States' difficulties and fears are real, but realities and bluff go often together. The States are driving a bargain, and one cannot blame them if they import into the negotiations something of the spirit accepted as natural in other bargains. They had hoped to play their accession to federation as a card to win the codification of paramountcy, but His Majesty's Government have called that bluff and the issues are more or less down to fundamentals. In the long run the impulse that produced the Princes' first endorsement of federation will govern their final decision. "Dare they stay out ?" is the form in which the ultimate problem presents itself to them. The answer to that question seems to be "No," and if this view is correct the States must eventually enter the federation, and those capable of taking a long view certainly will. Only

India: The Ferment of Reform

States forming a definite regional or cultural unity—a description that applies only in Rajputana—could maintain themselves as a distinctive organism alongside an autonomous British India.

II. THE NEW ASSEMBLY

THE first meeting of the new Assembly covered the main session of the year. The publication of the Joint Select Committee's report and the impending submission of the Bill, along with the outcome of the recent elections and the high hopes raised in Congress circles, all combined to intensify the interest of the public and the legislators themselves in the impending session. Added to this there was that feeling common to all new legislators that their arrival will usher in real activity, real performance, as compared with the feeble efforts of the past. This pulse will die as always, but it will be interesting to see how long it survives. The Congress cohort sits in disciplined rows on the Opposition benches, every head crowned by its Gandhi hat, an ugly type of headgear singularly unbecoming to the majority of those who sport it. It is one of the less fortunate aspects of a genuine and interesting political movement that it should have abandoned one of the more artistic features of ordinary Indian life, namely, the turban.

The Congress members decided from the outset to boycott official receptions, and as a result they were absent, for example, from the great army review on January 31. They turned out in force, however, when His Excellency addressed the Assembly. This appearance, it was said, was due to the insistence of Mr. Gandhi, who, when consulted, disapproved of the proposal that they should absent themselves. Their general conduct has been excellent, and a strong front bench has been able to impose on its followers a creditable observance of rules as well as actual performance in debate.

Much was expected from the new body in oratorical

The New Assembly

and debating talent, and its first meetings were eagerly anticipated. Congress leaders not in the Assembly prolonged their stay in Delhi to be present at the chief debates, and the galleries have seen such prominent personages as Rajendra Prasad, C. Rajagopalachari, Vallabhbhai Patel and Mrs. Sarojini Naidu. They were packed throughout the debate on the Joint Select Committee's report, a notable feature being the large number of Indian women. One noticed that they smiled less than their male fellow spectators and that their attention was, if anything, more concentrated. Women are usually the more intense sex, less inclined to be Laodicean and probably less well dowered with a sense of humour. Their incursion into Indian politics on a serious scale will tend to a greater infusion of directness and possibly bitterness.

It is doubtful whether the high expectations have been fulfilled, and in some quarters disappointment has been expressed at a certain crudeness and narrowness of view and of expression. So long, however, as a party in a legislative body looks outside for its directions and policy, its activities can never be really in harmony with the general spirit of that body. One of the merits, too little appreciated, of the Mother of Parliaments is that so far she has succeeded, though not always without difficulty, in imbuing the most rigid doctrinaires with something of her own spirit, and thereby attuning outside impulses to her own harmony. It is this capacity that has kept Westminster unique. The Congress party in the Assembly is in it, but not of it. Some may think the Assembly gains from this, but a wider and a better gain would have been achieved if the Congress M.L.A.'s had been able to regard themselves as Members first and Congressmen second. Possibly the unreality that inevitably hangs about the performances of any irresponsible Assembly inhibits the growth of a parliamentary sense comparable with that at Westminster.

Mr. Bulabhai Desai, the Congress leader, has fulfilled all that was expected of him in oratorical performance,

India: The Ferment of Reform

though he has remained forensic in manner. Mr. Satya-murti's forte is in debate rather than in set speech, but even so he has been less prominent than was expected, and he is possibly devoting most of his time to the secretarial duties of his party. Mr. Jinnah has contributed notably to oratorical performance and debates, but he remains elusive, a trait which now, as formerly, tends to produce irritation in those who seek his alliance. The large frame of the "Big Brother," Shaukat Ali, is to be seen on a forward crossbench, but his contributions are episodic and of little significance.

The Congress party set out with the determination to be unaccommodating socially, and this spirit, carried on to the Assembly floor, has affected the whole tone of speech and debate. This refusal to admit the existence of another point of view in reality condemns the powerful Congress party to sterility. It produces a series of budget cuts implying a reduction of revenues by hundreds of lakhs and leading to certification of the whole Finance Bill. Instead of practical criticism we have a series of passionate gestures. United Kingdom critics never weary of protesting against the fatuity of such performances, but when passion enters reason flies out, and the problem before His Majesty's Government is to make room for the entry of reason into Indian politics, to the exclusion, or at least diminution, of the power of passion. That passion is to-day concentrated on the issue of status. This, then, is the root problem.

The Government's major defeats in the session have been numerous, and have ranged over a wide variety of subjects. Perhaps the most interesting occurred in the debate on the report of the Joint Select Committee. Congress set great importance on obtaining a victory, and it was evidence of this that the motion sponsored by their leader was in terms which practically any one of nationalist sympathies could have accepted. It was said, indeed, that Pandit Kunzru, President of the Liberal Federation,

The New Assembly

was associated with its drafting and that the omission of any reference to "rejection" was deliberate out of respect to Liberal sentiments. Phrases like *Purna Swaraj** were also carefully avoided, and the Communal Decision was not mentioned at all. This last, as always, turned up as the real bone of contention. The Nationalists insisted on a separate amendment condemning it, while Mr. Jinnah's amendments included one requiring its approval.

It would be difficult to say where the honours lay after the three days' debate in the Assembly on the report, but Mr. Jinnah certainly showed himself possessed of a parliamentary flair and a tactical sense of a high order, along with a strong appreciation of the footlights. He put in an amendment under three heads, meant to be voted on separately. The first affirmed the Communal Decision pending an agreed substitute. The second pointed out various defects in the scheme of provincial autonomy offered, without, however, condemning provincial autonomy in itself. The third denounced the system of federation proposed and demanded constitutional efforts in pursuit of a purely British India federation. The Congress amendment, despite its endeavours to please everyone, was lost through the opposition of most of the Independent members. Their motion that the house should declare no opinion on the Communal Decision was similarly lost, while Mr. Jinnah's first amendment accepting it was passed by a large majority, the Congress phalanx abstaining in accordance with their general attitude towards the Decision—a neutrality which came in for acrid Nationalist comment. Having persuaded the Assembly to affirm the Communal Decision, Mr. Jinnah then turned to an accommodation with the Congress, and by securing the consent of the President to putting his second and third amendments together he succeeded in obtaining the passage of both. Had the items been put singly the third would probably have been lost. It was much more fundamental than the

* Complete self-government.

India: The Ferment of Reform

second, which merely committed its supporters to the opinion, now become a platitude by constant repetition, that unless certain features found objectionable were removed the provincial autonomy proposed would not satisfy Indian opinion.

Mr. Jinnah's third amendment, however, was a positive rejection of a distinct and cardinal feature of the whole constitutional scheme, and therefore one on which a specific vote was possible and desirable. One prominent Independent, in protesting against the proposal to club the amendments, declared that while he wished to support the second he wished to vote against the third, and he was not the only member so inclined. In effect, the real opinion of the Assembly on the federation part of the constitutional proposals was masked, and this is fairly well recognised. The victory is felt to ring rather hollow, and even though Mr. Jinnah has been able, not for the first time, to face both ways, his triumph is less than it seems; for while it has forced everyone to realise his skill as a juggler it has, if anything, confirmed those possessed of convictions in the fear that for Mr. Jinnah convictions are apt to have a less value than for others. Certainly Congress cannot have any great satisfaction at the result; for in effect by their vote they accepted the Jinnah interpretation of the constitutional desiderata, that is, an improved provincial autonomy, no federation, no disturbance of the Communal Decision. Mr. Desai, a man of superior talents, is unlikely ever to be the parliamentary success that Mr. Jinnah undoubtedly is, and it will probably be in some other figure, if at all, that Congress develop their tactician.

III. THE STATUS PROBLEM

AN Assembly vote that aroused great interest was the defeat of the Indo-British trade agreement. This agreement touched a chord of objection in all Indian parties,

The Status Problem

and the size of the adverse vote may be taken as evidence of the general Indian attitude towards the provisions on commercial discrimination that occupy Chapter III of Part V of the Government of India Bill. The debate showed clearly that these issues will never, as things are, be regarded on their merits, and there entered into the adverse vote and into the subsequent jubilation the pleasure that accompanies a successful act of defiance. India, like Ireland, has a long memory, and for many years in the future any proposals involving Lancashire will bring up an inevitable recollection of the excise duty on cotton. Even the more sober journals found in the agreement implications of the gravest nature, which would not readily suggest themselves to the detached student of an apparently harmless if not otiose document. Thus the *Hindu* declared that the agreement

has practically discarded the policy of discriminating protection . . . The utmost concession that the Indian manufacturer is to get is not adequate protection, but . . . a bare chance of competing with British manufacturers . . . Where does protection come in when competition is deliberately provided for and even invited? The agreement vests in the United Kingdom a power of interference in Indian fiscal matters which amounts to a serious national insult.

In the last three words is the gravamen of the Indian attack. The first reaction of the detached critic was to wonder that anyone should, save under the gravest compulsion, beard the Assembly with such a matter as this. It is not clear that the compulsion in this case was adequate. If, as was alleged in support of the agreement, it merely crystallised existing practice, and no positive legislation was therefore required, why was it ever brought up? "Let sleeping dogs lie" is a good motto where India-Lancashire matters are concerned.

The brunt of the attack was directed against the provision enabling British manufacturing interests to appear before a tariff board, and another illustration of the importance attached to status was to be found in Mr. B. Desai's

India: The Ferment of Reform

reference to the contrast that while the grant of preference on India's part is obligatory the purchase of Indian products by Great Britain is optional. So long as distinctions of this sort obtain, nothing but opposition need be expected. The *Tribune* summed up the debate as showing that "neither fiscal autonomy nor the Fiscal Autonomy Convention can have either meaning or reality till India has a national government responsible to itself."

In his statement to the House of Commons on February 6 the Secretary of State declared that His Majesty's Government stood by the Viceroy's interpretation in 1929 of the pledge contained in the 1919 preamble. In other words, they swallowed the phrase "dominion status." The only comment in India was one of wonder that the declaration should have taken so long to emerge, and of regret that it had not been forthcoming spontaneously instead of having to be drawn forth with every appearance of reluctance. Nor was conviction conveyed by the sentence which declared that "there was no need to enshrine in an Act words and phrases which add nothing new." Enshrining might have had in this case, as it so often has, a great emotional value. And when a pledge has been doubted, words and phrases confirming it can hardly be said to add nothing new, but might rather be assigned the highest importance.

The appointment and activities of the Burma tribunal further offended the already inflamed status complex, and provided another excuse for assertions of breach of faith. Previous discussions (for instance, the Burma Sub-Committee of the Round Table Conference) had contemplated the association of both India and Burma with the operations of this tribunal, and Indian sentiment was wounded by what was represented as a complete ignoring of the interests most affected. Strictly speaking, the procedure followed may have been the most practical and effective, but viewed from India it seems to have been unfortunately and unnecessarily brusque.

The Budget

IV. THE BUDGET

SPRINGTIME is budget time in India, but rather a wintry aspect characterised the financial landscape this year; for out of the twelve central and provincial budgets only three offered a surplus, those of India, Madras and the Punjab. It is a significant coincidence that the provinces where dyarchy has worked best are those with the best financial and budgetary history, and one of the problems of the new constitution will undoubtedly be how to reconcile federal and provincial ideas on the allocation of revenues. The eastern provinces will not be happy until they have secured the proceeds of all the duties derived from mineral oils or jute. This year's central budget allots one crore for rural reconstruction in the provinces, an interesting departure which justifies, according to one M.L.A., the description of this as "the first people's budget." It was one of the most unfortunate results of the restricted Congress outlook that an original and interesting budget did not receive the constructive criticism it merited, and that it finally reached the statute-book only by way of certification. Congress intransigence in this regard should not be assumed to be entirely the result of irresponsibility. It has not escaped those behind the movement that the certification of the whole Finance Bill, regardless of Assembly cuts, was a political and electioneering card worth playing for. If so, it is a pity that the Bill should have been sent for certification, and still more so that it should have been sent unchanged. Such a view found expression through the European group in the Assembly, and they emphasised it by remaining neutral at the final division, an attitude that Congress critics of Government did not fail to quote in support of their own attacks.

Perhaps the most interesting motion related to the

India: The Ferment of Reform

export duty on hides, which Government proposed to remove. This motion, by contrast with the annual gestures on the salt tax and the like, marked a genuine line of division and penetrated party frontiers. Madras, strongly interested in leather manufacture, led the opposition; those not so interested supported a removal calculated to help the agriculturist. There being this genuine cleavage, and the Finance Member in his budget speech having indicated a disposition to abide by the Assembly's decision, the certification of this item seems open to criticism on grounds of tactics.

V. THE COMMUNAL DECISION AGAIN

THE last week of February saw the "Anti-Communal Award Conference" at Delhi. The resolutions were of a general character and the speeches contained nothing new. The first part of Mr. Chintamani's eloquent address consisted of a denial that the Prime Minister possessed any arbitrator's right, from which he deduced that India was justified in rejecting an "unwanted award." It has already been noted in *THE ROUND TABLE** that the departure from strict nomenclature has not been altogether fortunate, and this is a further indication of the same thing. The Decision, to give it its proper name, was not an award and did not profess to be. Such arguments as Mr. Chintamani's are thus mere beating of the air. They have, however, encouraged the impression in India that the Prime Minister, under an unjustified assumption that he had been invited to arbitrate, issued this award. Actually His Majesty's Government, finding the absence of communal agreement a complete barrier to constitutional progress, cut the knot by a third-party decision.

It is important, amid the whirling phrases of denunciation that rise in clouds whenever this subject is discussed,

* See *THE ROUND TABLE*, No. 97, December 1934, p. 127.

The Communal Decision Again

to keep a grip on the main fact, which is that the Decision, by its very existence, is acting and will act as a point of concentration, and in so doing will contribute ultimately to the emergence of a solution. Some of the speeches at the recent conference invited the Government to associate itself with the search for an alternative. This is the voice of the tempter. The British position on this issue is clear; we should not associate ourselves with the Decision in itself but merely with the Decision as a solid element which must continue till replaced by the desiderated alternative. The mere fact that the Decision remains firm as a rock is the chief force that will ultimately compel communal agreement. Possibly a generation or two hence Indian historians will hail with gratitude the British Government of 1932 which performed a surgical operation on an Indian sore.

As regards the much less satisfactory Poona Pact, it is more difficult to see clearly the correct line of policy, although there too any British disposition to tinker would almost certainly have unfortunate effects. There are some aspects, however, which have perhaps received inadequate attention—for example, the remarkable fact that if all the castes shown under Bengal in Appendix VIII to the White Paper are depressed, then something approaching half the Hindu population of the most advanced province of India is in that category. As stated, the position is grotesque, and the Bengal portion of the Poona Pact, notoriously the least satisfactory part of that document, may be said to flow from this peculiar offshoot of the 1931 census. It is at least remarkable that while general opinion holds the depressed class problem to be pre-eminently a feature of Southern India, the total population under this head in the Madras Presidency is only a sixth of the Hindu population of the province, a proportion exceeded in the United Provinces and enormously exceeded, as already observed, in Bengal.

Nothing is more difficult than to define "depression"

India: The Ferment of Reform

in this singular sense. In some ways the special provision thought necessary for these communities has grieved ordinary Hindu opinion more than the consideration shown for Moslems, and from this point of view the best thing in the Pact is the time limit attached to the clauses governing the method of voting.

VI. INDIANS ABROAD

A GENERAL world problem was reflected in the agitation aroused in India by Mr. Menon's report on certain pieces of Zanzibar legislation affecting Indians. In South Africa, Indians have for long found themselves in difficulty, and in Tanganyika and Kenya trouble is endemic. Nearer home, too, the Indian finds himself at odds with a tendency in Ceylon to limit Indian facilities in sharing the rights of Ceylonese. From one point of view these are merely Indian and local problems, and represent attempts to meet, by legislation or decree or by social action, the inevitable results of the greater industry, acumen and parsimony of the Indian people. To some extent, however, they represent a world tendency, not only an Indian one—the same tendency as has found expression in Germany recently and even in France; while in some of its aspects the immigration policy adopted by the United States in 1924 is an illustration of the same forces at work.

What is at one time harmless or even beneficial may at another time and in different circumstances become a menace, and nationalism in the modern world is rapidly approaching the latter condition. A century or two, or even a few decades, ago, countries were clearly distinguished, and such communications as existed were very leisurely. Nationalism in such conditions was a natural and to some extent a necessary element in proper development. Nowadays, when the air has defeated ground difficulties and has

Indians Abroad

in effect reduced every distance by 60 per cent., the old order cannot stand, and a successful issue depends on how soon and how adequately the world replaces the nationalistic concept by something which, without denying national individuality, will give proper weight to international community.

Mr. Menon describes the two decrees that govern the Clove Growers' Association and the clove exporters as "calculated to cause irretrievable damage to Indian interests and practically oust the Indian trader from Zanzibar." The Zanzibar Government are not disposed to accept these strictures. They declare that there are practically no resident Indian agriculturists at all, and quote figures showing that over Rs.19 lakhs worth of property passed into Indian hands over a period of eight post-war years; this increase in Indian ownership represented 12½ per cent. of the total clove trees. From these figures they deduce that a rapid change has been going on towards an Indian ownership of land in the Protectorate, and they make the significant admission that "the Protectorate's problem is essentially a racial one." The object of the legislation is professed to be to protect the Arabs and Africans, who are notably irresponsible in matters of finance, presumably against Indian intruders, who are singularly competent in the same sphere.

The outcry that has arisen in India serves, as always, to mask the real issue, and one has had occasion to regret the overpitching that so often attends Indian presentations of an Indian case. The problem is grave enough, but its solution is not likely to be helped by exaggeration. The legislation seems to have two purposes, to prevent undue Indian ownership of land and to establish the clove industry on a satisfactory basis. The first of these is primarily racial, the second primarily economic. The raising of the racial cry to an equal pitch in both has tended to cloud the different issues.

The passing of such legislation as this in other units of

India: The Ferment of Reform

the Empire inevitably brings a desire for retaliatory measures in India. Despite the defects in her unity, India knows herself to be a great country with many historic achievements and with a civilised past stretching a long way further back than that of any of her fellow units. She is unlikely to tolerate with equanimity intrusions on her dignity. To this Zanzibar has the reply: "We can, it may be, do some damage to India, but India can do no damage to us." And this is the rule of life in bargains.

From another aspect, also, the Zanzibar problem appears as a symptom rather than an isolated incident. It offers a marked example of the failure of *laissez-faire* in production and distribution. If the solution is to be a structure of regulations and quotas over the whole economic field, the State must inevitably take a far greater place in the life of its citizens than in the past, and the authoritarian governments of to-day may be the universal type in years to come—even, perhaps, in India.

India.

April 22, 1935.

MR. DE VALERA'S DILEMMAS

I. THE CHALLENGE OF THE I.R.A.

BBROADCASTING to the United States on St. Patrick's Day, Mr. de Valera said that Ireland remained a Catholic nation, and as such set the eternal destiny of man high above the "isms" and idols of the day. Her people would accept no system that decried or imperilled that destiny. So long as that was their attitude none of the forms of State-worship now prevalent could flourish in their land; the State would be confined to its proper functions as guardian of the rights of the individual and the family, co-ordinator of the activities of its citizens, and their guide in common effort. They believed that popular government was the surest means of producing this type of State. While they knew its weakness they believed that this was still the system of government which, without encroaching upon the rights of its citizens, best developed in individuals a sense of responsibility to the community as a whole, and, all things considered, best fulfilled the purposes for which government was instituted.

Unfortunately, this charming picture of our highly moral political mentality and conduct is hardly borne out by the present condition of the Free State. After three years in office Mr. de Valera's Government are now taking exactly the same steps to secure ordered government as were taken by their predecessors amid loud denunciations from themselves. The extreme republican section, which they sought upon their election to placate by the release of its leaders from prison, by the closing down of the Military

Mr. de Valera's Dilemmas

Tribunal, and by the abolition of the oath of allegiance and similar constitutional changes, are now once more in violent opposition to the State. The Military Tribunal has been revived, the I.R.A. leaders are once more in gaol, and the abolition of the oath of allegiance—as most sensible people anticipated—has had no effect whatever upon the irreconcilables. Moreover, murder, outrage, and even the threat of civil war have once more raised their horrid heads amongst us. On the very day Mr. de Valera was speaking to America two of his Ministers were publicly attacked by young hooligans whilst taking part in the St. Patrick's Day celebrations at Dublin and Tralee respectively. A month before, at Edgeworthstown, County Longford, a party of armed blackguards, disguised as Civic Guards, entered the house of Mr. Gerald More O'Ferrall, a local land agent, and fired at him and his son with revolvers, mortally wounding the son, who tried to protect his father. The ostensible reason for this outrage was the fact that Mr. O'Ferrall had legitimately attempted to collect the rents due to his employers in spite of the tenants' agitation for their reduction. The tenants had sought the aid of the I.R.A., and although violent speeches had subsequently been made at a public meeting no effective action was taken by the Government to protect Mr. O'Ferrall's house or person. This cruel and cowardly murder was therefore committed in this very moral Catholic country, not without warning or as the result of a sudden and unexpected affray, but as the logical outcome of circumstances well known to the authorities and of activities flowing naturally, if not directly, from the propaganda and principles of the I.R.A.

For some time it has been only too clear that since extreme republican sentiment cannot, at least in existing circumstances, secure the all-Ireland republic which is its aim, it tends to turn its activities into social-revolutionary channels. This sentiment of frustrated and exasperated republicanism, disillusioned with itself and

The Challenge of the I.R.A.

its leaders, much more than any distress or misery due to economic causes, is the chief asset of the communists in the Free State, and recent events have helped them to exploit it to the utmost. In a brilliant pamphlet* just published, Professor James Hogan, Professor of History at University College, Cork, has conclusively exposed the ramifications of communist intrigue in Ireland, and proved its influence on the policy of the I.R.A.

That influence has now become still more clearly apparent. Early in March, strikes took place on the Great Southern Railway system, which has a monopoly of the entire railway and omnibus service outside of Dublin, and on the tramway and omnibus system of Dublin itself, which is under the control of the Dublin United Tramways Company. The railway strike was the result of an obscure trade union dispute between a small, newly established Irish union and an older body of a similar kind. The great majority of the railwaymen, however, refused to be drawn into this senseless and mischievous quarrel and remained at work, with the result that after a few days the strike died a natural death. The Dublin tramway dispute, which arose from the dismissal of an omnibus driver for dangerous driving at night, has had far more serious results, not only economic but political. Mr. Lemass, the Minister for Industry and Commerce, making use of his powers under the Industrial Courts Act, set up a Court of Inquiry under Judge Shannon to investigate the justice of the company's conduct. After fully hearing the evidence concerning the matter in the presence of both sides, the Judge decided that the driver was guilty of dangerous driving and was properly dismissed, whereupon the strike committee announced that the men would not return to work until the demands for increased wages, which they had made several months before, were conceded by the company. It is estimated

* *Could Ireland Become Communist?* By James Hogan. Cahill & Co., Dublin, 1s. 6d.

Mr. de Valera's Dilemmas

that the granting of these demands would cost the company £100,000 a year and swallow up its entire profits.

Mr. Lemass then proposed that the company should reinstate the driver, and that the question of increased wages should be immediately referred to a Conciliation Board, presided over by himself. This proposal was refused by the men but accepted by the company. Mr. Lemass thereupon announced that neither he nor any officer of his department would be party to any negotiation concerning the men's claims while the stoppage continued, and promised that he would take steps to supply Dublin with alternative means of transport with the least possible delay. A few days later, however, in spite of this bold declaration, he resumed negotiations with the delegates of the Trades Union Council. It was now quite clear that the Government were in a serious dilemma. If they sought to operate emergency services the result might well be a general strike, and might involve the loss of Labour support in the Dail. On the other hand, the inconvenience and suffering caused by the strike had produced widespread annoyance in Dublin and had placed the Government in a ridiculous and impotent position. After some obvious hesitation, the Government decided to employ army lorries driven by armed soldiers to provide temporary and partial transport facilities during the continuance of the strike. On March 20, three weeks after the strike had begun, this military service began to operate, a sincere but by no means adequate attempt to alleviate the hardship on the public. No attempt was made by the strikers to interfere in any way with these arrangements.

Three days afterwards, however, on the night of March 23, an extraordinary development took place. Two unarmed Civic Guards, carrying out their ordinary patrol duties in Grafton Street, one of the principal streets in Dublin, were suddenly attacked by several young men, who arrived on bicycles, dismounted, fired upon the Guards, wounding them both, and then rode away. Proof that this was no

The Challenge of the I.R.A.

personal vendetta or singular outrage was afforded by the fact that almost at the same time another Civic Guard, near Burgh Quay, was also fired upon, but managed to escape injury.

On the following morning a statement from the headquarters of the I.R.A. was published in the Dublin papers, which threw some light on the origin of these disgraceful outrages. It stated that the action of the Free State Government in using army transport for strike-breaking purposes in the interests of the company, to which the Government had given a monopoly, constituted a definite challenge to all workers. The efforts of the Government and the combine must be defeated. They therefore offered the services of the Republican Army to assist in "mobilising the maximum support for the Dublin transport workers in their struggle," and stated that they were prepared to send representatives to meet the strike committee for this purpose. The strike committee very prudently refused to participate in such a conclave. On the same evening as the Civic Guards were attacked, Mr. Tom Barry, a prominent Cork leader of the I.R.A., stated at a meeting in Dublin that the funds of that organisation were devoted to educating the people, organising the youth of the country, and purchasing arms, so that the Irish people might once again hurry on to the day when they could rise successfully to restore their independence. These revolutionary pronouncements, coupled with the criminal attack on the Civic Guards, were, of course, tantamount to a threat of civil war, and could only mean that the I.R.A. was now prepared to take armed action against the Government.

Once more Mr. de Valera and his Ministers found themselves in a serious dilemma. If they acted vigorously against the I.R.A. they would annoy, and perhaps antagonise, their more extreme camp-followers; and, of course, lay themselves open to the obvious taunt of following in Mr. Cosgrave's footsteps; but if they did not, they would

Mr. de Valera's Dilemmas

virtually cease to be the government of the country. The *Irish Press*, Mr. de Valera's paper, reflected the Government's consternation in an absurd leading article, entitled "Fishing in Troubled Waters," in which it could only muster up enough courage to describe the attitude of the I.R.A. leaders as "remarkable," and in which it virtually apologised for the use of military lorries during the strike. The Government, however, finally decided to act, and on the night of March 25 detectives arrested the leaders of the I.R.A., but not Mr. Maurice Twomey, the Chief of Staff, or Mr. Sean MacBride, both of whom were "not at home" when the detectives called. Mr. Twomey has since made two defiant appearances at public gatherings without arrest. At the same time armed guards were placed over petrol tanks and at other points where outrages might be expected; the *Poblacht*, the official I.R.A. weekly paper, was suppressed; and armed police forces patrolled the streets of Dublin at night. It is interesting to note that Mr. de Valera and the other principal members of the Government are now as heavily guarded as Mr. Cosgrave's Government formerly were. In spite of these developments, the Government still refrained from the logical step of proclaiming the I.R.A. as an illegal organisation, although they apparently treat it as such, and although the newspapers have been warned secretly not to print its manifestos.

In a further public statement the I.R.A. Council pointed out that "the leaders of the Fianna Fail party," in response to the demands of pro-British parties, had reverted to a policy of wholesale arrests of republicans, and that the policy they pursued of recognising the Free State Parliament and the Treaty of 1921 had inevitably led them into conflict with the cause of republicanism. The Coercion Act, passed by the Cosgrave Government, was now being used against republicans with the same intensity by Mr. de Valera. His Government had refused to repudiate the Treaty and the Empire connection, and had allowed

The Challenge of the I.R.A.

imperialistic interests to entrench themselves more securely. It was England's policy to secure a new treaty with Mr. de Valera's Government so that they, like the Free State leaders of 1922, should be driven into defending the British connection. In their attacks on the workers the Fianna Fail leaders had sheltered themselves behind expressions of nationalism. The Government had now assumed the leadership of the struggle against the workers, and had used the Free State Army to intimidate them. The I.R.A., they claimed, stood for social justice, so that national freedom would have a real meaning for those whom alien rule and the system it upheld had submerged and held in slavery. There could not be peace in Ireland until the British rule was destroyed, the imperial connection broken, and the republic restored.

It would, however, be unwise to over-estimate the present power and influence of the I.R.A., because by a judicious combination of pensions, jobs, and secret service expenditure the Government have undoubtedly sapped their morale and reduced their strength. Moreover, a large number of their members and many possible recruits have found their way into the new volunteer force started by the Government, where the allurements of a smart uniform and the effects of physical drill and military discipline have undoubtedly distracted their minds from republican ideals. In fact, the I.R.A. is now seriously reduced in numbers, and apart from sporadic outrages against person or property its military importance is not great. Assassination rather than armed revolt is now the real danger. It is the appeal that the title of this mischievous organisation makes to his own wild men, and its absurd claim to be the sole depository of Irish national tradition, that make Mr. de Valera hesitate even yet before he deals decisively with its members.

The workings of his mind were clearly exposed in an almost apologetic speech that he delivered at a meeting of his party executive in Dublin on March 30. He said

Mr. de Valera's Dilemmas

that when an organisation which adopted the use of arms as one of its methods proposed to intervene in a trade dispute there was only one thing for the Government to do. When they accepted office they had assumed the obligation to maintain peace in the community and to safeguard all citizens against violence. That was their supreme duty as a Government, and must be fulfilled. They had been very patient during the past three years. They had used the powers they possessed sparingly. Realising the need of the country for harmony, and anxious to put an end to the disastrous divisions that had existed amongst them, they had put up with things that no other Government in the world would tolerate. They had hoped all along that common sense and patriotic instincts would at last assert themselves, but their hopes had apparently been misplaced. The use of violence against the forces of the Government and against individual citizens had continued. It was time that this should stop. What excuse could now be offered for the use of violence in our domestic differences? Every section that desired to do so could, without forfeiting any principle, submit its policy to the judgment of the people and become the Government, with control of all the resources of the community, if it secured a majority. His Government were pledged to work for the complete independence and unity of Ireland as a republic. They believed they had made satisfactory progress during the past three years. As soon as they felt the people were ready and could successfully resist such pressure as might be used against them, then they would seek their authority for the final step.

It will be observed that Mr. de Valera is careful to dangle still the elusive carrot of an all-Ireland republic before the donkey's nose. But in his Easter Week message he declares that "unity of territory cannot come without unity of spirit, or independence until the people of their own free will determine to win it," and he adds that "Ireland can never be really free politically while our whole economy

The Challenge of the I.R.A.

is at the mercy of a foreign Power"—which seems to postpone our freedom indefinitely. Declarations of this kind do not, however, deceive stalwarts like Miss Mary MacSwiney, and other survivors of the Second Dail, who still suffer from the delusion that they are the *de jure* if not the *de facto* Government of the country. In a recent manifesto they point out that the drift towards imperialism that began with the acceptance of the Treaty is going on more rapidly than ever to-day, and that the menace is all the greater for its being camouflaged under the name of republicanism. They unkindly remind Mr. de Valera of his statement in December, 1921, that the Ministers of the Free State would be the King of England's Ministers and its army his forces, and that the Treaty was inconsistent with the whole national tradition, and could not bring peace. The Treaty, they remind him, must therefore be repudiated, ended, and atoned for, before there can be any hope of national unity.

Easter Sunday, which, in the Free State, is now rapidly becoming more a political than a religious festival, was devoted by the Government and the I.R.A. to special celebrations in honour of the men who died during the rebellion of 1916. In the General Post Office, Dublin, where the rebellion started, Mr. de Valera, to commemorate their deeds, unveiled a bronze statue of Cuchullain, the King Arthur of Irish heroic mythology. The I.R.A. announced for the same day a parade of their members to the graves of some of the dead leaders in Glasnevin, and under their original arrangements this parade would have clashed with the Government celebration. The Government were clearly apprehensive of serious trouble, as practically the entire army and Volunteer Reserve Force were concentrated on that day in Dublin, ostensibly for the purpose of a military review by Mr. de Valera after the unveiling ceremony. Wiser counsels, however, prevailed, and the I.R.A. altered the time of their procession, apparently having decided, like a Chinese general, that the

Mr. de Valera's Dilemmas

fighting season had not yet begun. Judging by the meagre number of their supporters who paraded, the decision was justified. The day passed off without incident. Speaking at the unveiling ceremony, Mr. de Valera said that the work of Easter Week could never be undone. Before 1916 Ireland might have been content for a time with something less than independence. After 1916 that was impossible. The United Ireland party took no part in the proceedings, although invited to do so. In Mr. Cosgrave's opinion the time is not yet ripe for an adequate commemoration of 1916.

While these political interludes were proceeding, the tram and bus strike, which had largely provoked them, continued to drag out its weary length, and the strikers, in two successive ballots, again rejected fresh proposals for a settlement by conciliation, although the man in whose behalf the strike took place had accepted, much to his comrades' annoyance, a job with the complacent sweep-stake organisation, and although elaborate subterfuges had been arranged to meet the men's objections to resuming work before negotiations began. The strike has now lasted for over two months, and there is no indication of a settlement, but the men have so far refused to allow themselves to be made the tools of communist or I.R.A. agitators. The public seem to have become almost indifferent to the discomfort involved. If Mr. de Valera in many respects resembles Kerensky, there is as yet no sign of a Lenin on our political horizon, but it may be unwise to believe that this state of affairs will last indefinitely.

II. THE RESISTANCE OF THE FARMERS

IF Mr. de Valera's policy has aroused violent opposition on the extreme Left, it is equally anathema on the extreme Right. In large areas of the country no attempt is being made to pay or to collect the land annuities, the rates are greatly in arrear, and the situation would be far

The Resistance of the Farmers

more serious if the leaders of the United Ireland party had not refused, very properly, to countenance an agitation for the non-payment of rates and annuities. In the County Cork, for example, no seizure by the sheriff against farmers in default has been attempted since last August, when the fatal shooting took place at a cattle sale in Cork,* and there is little doubt that if any seizures are attempted there further serious disturbance will take place. Quite recently widespread cutting of telegraph wires and poles has again been committed in the same county, but whether the I.R.A. or the Blueshirts were responsible is not known—a fact which illustrates the political atmosphere.

A new farmers' organisation, called the New Land League (which derives its title from the famous body founded by Michael Davitt in the 'eighties) was inaugurated at a convention in Cork on February 1. It disavows political objects and aims at the concentration of all farmers on a common front for the improvement of agriculture. But, as Mr. Frank MacDermot, T.D., pointed out in a letter he wrote to this meeting, an Irish farmers' organisation cannot be politically comprehensive in its membership without being empty and futile in its policy. It is, indeed, one of our tragic misfortunes that this agricultural community is governed by professional politicians, most of whom are very second-rate business or professional men, whose ignorance of our principal industry is nearly as great as their self-assurance. Several Cork farmers were arrested early in March and brought before the Military Tribunal on a charge of banding themselves together in an association which, it was alleged, advocated the non-payment of land annuities and had taken active steps to prevent their collection and the seizure of cattle from farmers who would not pay. They were duly convicted, principally on the evidence of their own public speeches, and heavily fined, but it is symptomatic of the feeling amongst the farmers that they have chosen to go to gaol rather than pay.

* See THE ROUND TABLE, No. 97, December 1934, p. 157.

Mr. de Valera's Dilemmas

Meantime, the estimates recently introduced in the Dail show that the cost of bounties and subsidies to farmers during the last financial year has exceeded three million pounds. This policy is justified by the Government as a necessary measure of economic defence under present conditions—as, indeed, it is ; but this process of feeding the dog with its own tail cannot be continued indefinitely. Recently the Government have had to suspend the provision of the unemployment dole in agricultural districts during the busy periods in the spring and autumn in order to prevent abuse and idleness. The “free beef” scheme has also proved to be entirely uneconomic and the Government have recently announced their intention of making the recipients pay part of the cost ; probably the ordinary consumer will have to bear the rest. The Government's policy of building up highly protected industries, the workers in which are to provide a market for our farm produce, seems to be based on the fallacy that to transfer part of our population from agriculture to industry automatically increases its appetite ; moreover, it overlooks the fact that if our agricultural industry is not prosperous the farmers cannot absorb the products of these new factories. The agricultural statistics recently issued show that serious reductions have taken place in our animal population during the last year. Cattle, sheep, and horses have decreased by 536,452, and poultry by 2,521,827. Professor J. Johnson, of Trinity College, calculates that the Free State farmers are now living on their capital and credit to the extent of £15,000,000 a year.

Meanwhile, as the Opposition is not slow to remind Mr. de Valera, although Fianna Fail was elected to power on promise of lower taxation, lower expenditure and agricultural prosperity, our taxation and expenditure have since increased by some six millions on either side of the account, and our trade returns in the same period show an increase of over ten millions in the adverse trade balance. At the same time Mr. Chamberlain is able to announce that the

The Resistance of the Farmers

British duties on Free State agricultural produce yielded nearly £700,000 more than his estimate, so the annuities are being paid with a vengeance.

At the annual convention of the United Ireland party, held in Dublin on March 21, Mr. Cosgrave was unanimously re-elected President amidst much enthusiasm, and indeed no other choice was possible. Although he has never posed as a great statesman, he possesses qualities of common sense, courage, and honesty of purpose, combined with an entirely unselfish patriotism, too often lacking in our political life. After contrasting the Government's promise with its performance, he reminded the convention that their party stood firm in their conviction that no mere constitutional form could bring our people happiness or prosperity, or our nation dignity or greatness, if the national resources were trampled out of existence, or frittered away by insane policies, based, not upon broad national considerations, but upon the desire to prove that the wreckers of 1922 were prophets of hope and architects of prosperity. They believed in living on friendly terms and in free association with the other States of the British Commonwealth. Membership of the Commonwealth was not only a guarantee for the maintenance of their distinct and individual nationality, but offered them more—the guarantee of the unity and integral solidarity of their nation and people. He went on to point out that there could be no economic security for industrial development until agriculture, our main industry, was placed on a sound basis. The first step towards this security must be the ending of the economic dispute with Great Britain, which was possible without any sacrifice of national honour or injury to the home market. Industries must get fair, generous or exceptional treatment, according to the nature of the return they gave the community, either by way of employment or by way of addition to the country's wealth.

During the convention the party unanimously passed resolutions in favour of the derating of agricultural land,

Mr. de Valera's Dilemmas

the reduction of the old age pension age to 65, and the re-organisation of our national economic life on vocational lines. It was also agreed that the League of Youth (the latest name for the Blueshirt organisation) should be continued as a permanent institution for providing the youth of Ireland with opportunities for disciplined voluntary national and social service. But the most important resolution was one expressing frank and cordial acceptance of the Commonwealth partnership, which was passed with only two dissentients. It is quite clear, as Mr. MacDermot has recently pointed out, that unless the United Ireland party takes its stand on the merits of remaining in the Commonwealth rather than on the Treaty there is no answer to the assertion of the Fianna Fail leaders that we are only in the Commonwealth under duress. The time has come when we must decide, in the interests of the country, whether we want a republic or not. Setting up an ideal which we refuse to realise only puts a premium on disorder and consolidates partition. We have at present few of the advantages of being in the Commonwealth, and most of the disadvantages of being outside it.

Meantime the Government continues to carry out its programme, and the Bills for reducing the Senate's power of delaying legislation to three months, the abolition of the special commercial franchise in Dublin, and the extension of adult suffrage to local government—all of which were rejected by the Senate—will soon be passed into law, the legal period of their suspension having expired. The last two measures are not likely to improve the quality of our local government councils. Whether the Senate, now deprived of all real power, will be permitted to continue its miserable existence no one really knows, or, indeed, cares, for it has become little more than a feeble replica of the Dail. Mr. de Valera, on second thoughts, stimulated by Fianna Fail senators present and possible, may permit it to survive in some form as a revising body where the crude and often inaccurate legislation of the Dail can be cor-

The Anglo-Irish Impasse

rected in the light of competent official criticism ; for that is the only purpose the Senate now serves or is likely to serve in its present state.

III. THE ANGLO-IRISH IMPASSE

MR. DE VALERA'S dilemmas, however, are by no means solely internal ; for our strained relations with Great Britain influence, and indeed dominate, all other questions. Speaking in London on February 14, Mr. J. H. Thomas, the Secretary for the Dominions, expressed a desire for a settlement of this unfortunate dispute during the Jubilee year, but coupled this pious wish with a careful reminder that it could only be fulfilled if the "sanctity of agreements" was recognised and the Free State desired to remain in the British Commonwealth. Mr. de Valera naturally replied that the Irish people would not for any consideration abandon their right freely to determine their own destiny, to choose the political institutions they desired, and to judge the extent to which they would associate or co-operate with other nations in matters of agreed common concern. As to the sanctity of agreements, he made a distinction between agreements freely entered into and those extorted from an unwilling people by threats of force. Senator Connolly, the Minister for Lands, added the obvious retort that any reference to the sanctity of agreements applied fittingly to the British agreement with America on the subject of war debts.

The fact that Mr. Thomas apparently thought that the King's Jubilee celebrations were likely to soften Mr. de Valera's heart shows how little he understands the latter's political mentality, for no line of approach could be less likely to succeed. The reiteration of threadbare arguments and expressions of good-will cannot achieve any useful results. Nor can any purpose be served by the intervention of well-meaning busybodies who represent neither Government, and put forward fantastic proposals

Mr. de Valera's Dilemmas

for a settlement. A new line of approach, based on a clearer recognition of the Irish point of view, is essential, if any progress is to be made. Certain fundamental questions must be answered, such as whether the form of our government is more important to England than our good-will, and whether the slow economic degradation of the Free State, now taking place, can ultimately benefit either country.

Mr. de Valera's idea of how a settlement might be reached was given in a speech which he made in the Senate on April 3 during a debate on the final stages of the Irish Nationality and Citizenship Bill.* He contended that a treaty of peace between Ireland and England could easily be signed. If, he said, the Irish people, by plebiscite or otherwise, and without foreign pressure, were to decide on some form of relationship with England, then it could be asserted that they were a free people. All that Ireland asked of the people on the other side of the Irish Sea was that they should cease to interfere. The Irish people did not want their country partitioned, but wanted liberty to decide what their form of government should be, whether a monarchy or a republic. There could not be peace while the people were unfree, the country partitioned, and Irish ports held by British forces. They had offered England guarantees of neutrality, offered to defend the Irish coast, offered to make it impossible for Ireland to be used as a base of attack on Great Britain; but she refused to accept these offers, and maintained her forces in Ireland. "The fight for freedom," he said, "will be completed only when every inch of the country is under the control of a Government elected by the majority of the Irish people." They were repealing an Act which held that Irish citizens were British subjects, but "British subject" was a term no longer applicable to them under Irish law.

* See THE ROUND TABLE, No. 98, March 1935, p. 371. The Government, upon the subsequent passage of the Bill, immediately made an order which in effect exempts British subjects from its provisions.

The Anglo-Irish Impasse

It is unfortunate that under present political conditions Mr. de Valera's proposal for an all-Ireland referendum is impossible, but even if it were possible it is extremely improbable that it would result in a majority for a republic. If it did not, we should still have to deal with the irreconcilable element in the Free State, and if it did, could or would any English—or, indeed, Irish—Government force Northern Ireland to accept the consequences? Mr. de Valera's solution, while it may be capable of mathematical proof, unfortunately ignores stubborn racial and political realities. But there is no reason whatever why the Irish Free State itself should not be permitted to decide freely whether it wants to remain in the British Commonwealth or not. An unfriendly Free State is just as dangerous to Great Britain as an unfriendly republic, and it will remain unfriendly until we realise that Great Britain does not desire our unwilling continuance in the Commonwealth, and will not make secession a *casus belli*. If this was made clear we would then have to face and decide the vital question whether it was desirable for the Free State to be a member of the British Commonwealth or not, and we would have finally to deal with the internal compulsion exercised by organisations like the I.R.A., which in the name of republicanism threaten the stability of the State and the safety and liberty of the individual—to decide, in short, whether we are prepared to sacrifice the historic Irish nation for the pleasure of sticking the label "Republic" on the Irish Free State, in order to save our politicians' faces and ruin ourselves. The sooner these questions are answered the better it will be both for Great Britain and for Ireland.

The real gulf, in the Free State, as Mr. MacDermot recently pointed out, is not between those who call themselves republicans and those who do not, but between those who want order and those who want anarchy, those who want concord among ourselves and those who want class warfare, those who want friendly relations with Great

Mr. de Valera's Dilemmas

Britain and those who want perpetual hatred and hostility towards her. A republic in the Free State would be in itself useless and harmful unless it promoted the peace, prosperity, unity and dignity of the Irish nation, which have been the fundamental ideals of every great Irish patriot.

These problems are very clearly dealt with in a remarkable article contributed to the March number of *Studies*, the Irish quarterly review, by Professor Michael Tierney, of the National University, who until quite lately was a prominent member of the United Ireland party, but who resigned during the O'Duffy imbroglio. Professor Tierney points out that partition cannot be ended until we in the Free State have arrived at a substantial agreement among ourselves, not only as to what form we want an eventually united Irish State to take, but also as to what form we ultimately wish to give the present Free State. In his view, without such unity of aim not only cannot Ireland be united, but it is doubtful whether it can be governed, and he believes that all Ireland must ultimately assume the form that we decide to give to the Free State. The greatest dangers to Ireland at the moment are, he thinks, sham republicanism and sham dominionism; both are negative and destructive, and their meeting place, which we have now almost reached, is political chaos—a state of affairs in which all existing institutions will be rejected as foreign to our national spirit, while we deliberately refrain from setting up any of our own in their stead. The imperative need of the moment, he wisely states, is that we should abandon these shams and face boldly the choice between real membership of the British Commonwealth and the declaration of a republic for the Free State. Although himself a believer in the unqualified and loyal acceptance of Dominion status, he thinks that unity of purpose and aim on this basis are impossible, and that only through a republic can we arrive at final national union by way of peaceful and friendly co-operation with

The Anglo-Irish Impasse

Great Britain. In short, his contention is that the establishment of a republic in the Free State, although the longest way to national unity, would be the shortest way to Free State tranquillity and development.

Professor Daniel Binchy, of the same University, who was the Free State Minister in Germany from 1929 to 1932, in a lucid comment on Professor Tierney's article, takes the opposite view. He points out that membership of the Commonwealth affords the most precious guarantee of our freedom, even against Great Britain itself, and that the conversion of the Free State into a republic would make the partition of Ireland as permanent as anything human can be. Wide as the breach is between the two Irish States to-day, continued membership of the Commonwealth provides at least the germ of a future *rapprochement*. Although he does not agree with Professor Tierney that the sincere republicans constitute a majority in the Free State, he believes a vote for secession would be better than the present chaotic uncertainty. Our generation, in his view (and most thinking Irishmen will agree with him), has sinned enough already against the unity of Ireland. By declaring a republic now we may commit the most deadly sin of all, by making it impossible even for our children to undo the evil we have done.

Irish Free State.

May, 1935.

GREAT BRITAIN

I. SILVER JUBILEE

ON May 6, 1935, King George the Fifth, with his family, his Ministers of State, the Prime Ministers of his Dominions, and a great and distinguished company, sang *Te Deum* in Saint Paul's, thanking God for his preservation to reign over us for twenty-five years. The streets of London through which he passed, that warm and brilliant day, were lined with thousands of his cheering subjects, and late into the night a great crowd still thronged the space outside Buckingham Palace to demonstrate their loyalty and to hope for another glimpse of their King. This was the first day of a week of celebrations, gay and solemn, which revealed not only the devotion of the British people to the Throne, but also their hope and courage, their good humour, and their kindliness. Ornament and oratory, tongue and pen, ancient ceremonies and modern invention, all the arts and energies of the nation, were joined together to pay His Majesty homage, but no words and no display could tell in full the human love that his people have for him and that he has for his people. He is the first among us, a monarch in dignity and statesmanship, yet one of us, a man in understanding and in simplicity of character. Here is the secret at once of his own success as King, and of the strength of the Throne in the British Commonwealth of Nations. The Crown is a symbol, not of central domination or of personal power, but of the principle of the commonwealth, the good of all for which all men must work together.*

* The full text of the King's reply to the addresses presented by Parliament is printed below, p. 581.

Economic Progress and the Budget

Those days of celebration were fateful in the history of the British Commonwealth. In places of honour in the Royal Procession drove the Prime Ministers of Canada, Australia, New Zealand, the Union of South Africa and Southern Rhodesia, and an Indian member of the Viceroy's Executive Council—divergent in race and interest and political opinion, but “united by a common allegiance to the Crown.” They and the Government of the United Kingdom were using to the full the opportunity of their presence to take counsel together on foreign affairs, on economic policy and on other matters of joint concern. One of those Dominion Premiers, we may significantly remark, had flown all the way from his capital city to London. While foreign problems grow ever more urgent and economic policies ever more comprehensive, communications happily grow ever swifter and easier, so we may be allowed to hope that in future such meetings of Commonwealth statesmen will not have to wait upon special occasions or sparse Imperial Conferences, but will be a frequent reality in the relations between His Majesty, as head of the Commonwealth, and his people's chosen leaders.

II. ECONOMIC PROGRESS AND THE BUDGET

IN his moving broadcast message on the evening of May 6, His Majesty spoke of the trials and difficulties through which we have come, and of those that are not yet over. “In the midst of this day's rejoicing,” he said, “I grieve to think of the numbers of my people who are still without work.” The continuance of two million unemployed is indeed a painful wound upon the body of the nation, but to-day there are hopeful signs of its healing. Early in the year there was a setback in the unemployment figures, but the lost ground has been recovered, and in April the total numbers employed in insurable trades rose to the highest level—10,320,000—ever recorded, even in the years before the slump.

Great Britain

Unemployment in Great Britain on April 15 totalled 2,044,460, of whom 1,676,623 were wholly unemployed, 280,333 temporarily stopped, and 87,504 normally in casual employment. The total figure was over 100,000 less than a year previously, an improvement which must be viewed against the fact that the spurt in the birth-rate immediately after the war meant an unusually large number of recruits to industry during the past twelve months. Preparations for the Jubilee helped to produce the good results in April; unemployment among those attached to hotel and boarding-house service, for instance, fell by nearly 8,000 between March and April. But no such explanation will serve for the improvement in industries like coal-mining or ship-building. Unemployment in the former was over 44,000 less than in April 1934, a very satisfactory sign of general economic progress, as well as of the gradual movement of workers away from the depressed industries. Another striking aspect of the employment figures is the continued strength of the building industry, to whose activity (with all its subsidiary and associated trades, from paint to furniture) we owe a very great deal of our economic recovery during the past two years.

Other indices besides employment show steady advances. It is a statistical accident that the companies included in the *Economist's* index of industrial profits, which reported their accounts in the first quarter of the year, show an appreciably narrower fluctuation of profits over a period of years than those reporting in any other quarter. Hence the advance of 14.6 per cent. in their latest annual profits, compared with those reported in 1934, is to be contrasted rather with the advance of 5.3 per cent. recorded in the first quarter of 1934 than with the average advance of 16.6 per cent. recorded over the whole of last year. If we may judge from such partial evidence, the profit record for the rest of 1935 will be even better than the first quarter's returns would indicate. Among the more striking of the constituent figures, while the textile industry still

Economic Progress and the Budget

moves against the trend by reporting diminished profits, iron and steel shows a greater improvement than any other large home industry except electrical equipment. The iron and steel industry is always characterised by wide fluctuations in profits earned, in accordance with the ratio of operations to capacity, but the present improvement is due also to a widespread increase in the demand for constructional material.

Both these economic elements, unemployment and profits, have a direct and critical bearing upon budgetary prospects—profits as a main source of taxation, unemployment because the unemployed whose insurance rights have lapsed are now supported entirely out of Exchequer funds through the Unemployment Assistance Board. It is reckoned that a fall of 100,000 in unemployment, if maintained throughout the year, would mean a saving of something like £3,000,000 to the budget. The extent of saving in the current year, however, is problematical owing to the continued suspension of the unemployment assistance scale.* The local authorities are being paid additional Exchequer grants intended to cover the relief that they still have to afford to able-bodied unemployed receiving neither insurance nor transitional benefit. The cupboard in which this skeleton rests must, however, be reopened before long by the Government.

Mr. Neville Chamberlain presented his budget on April 15. The previous year had been a satisfactory one for the Exchequer; almost every main department of tax revenue (except excise) had yielded more than the Chancellor had expected, and appreciable economies had been effected in expenditure, including over £7 million on the civil votes. In spite of heavy supplementary votes, totalling £10,395,000, and of a large short-fall in miscellaneous receipts, revenue exceeded expenditure by £7,562,000. This sum, together with what remained of the fixed debt charge of £224,000,000 after paying for interest

* See THE ROUND TABLE, No. 98, March, 1935, p. 362.

Great Britain

and management, made up nearly £20 million for the redemption of national debt. This was a good start for the new budget. Mr. Chamberlain, however, was under a serious handicap, in that an increase of some £10 million in the defence votes was being asked for by the Government, in view of the difficult international situation and the urgent need for making good deficiencies that had accumulated during years of economy. Commitments for subsidies to agriculture and other additional expenditure had also to be considered, and Mr. Chamberlain, with proper caution, saw fit to add to his estimates a sum of £4,000,000 for supplementary expenditures whose necessity, but not whose details, could now be foreseen. On the revenue side, he looked forward to increases in most items, notably £8 million from income tax and £6 million from miscellaneous receipts.

These estimates gave him, on the basis of existing taxation, a surplus of £5½ million, with revenue at £735½ million and expenditure at £730 million (against £716 million last year, including supplementary votes). By raiding the Road Fund of its remaining surplus, by imposing a duty on heavy oils used in Diesel engines on the road, and by other small changes in taxation, the Chancellor brought his prospective surplus up to £11 million. This he used to adjust the income-tax allowances in favour of families with small incomes (at a cost of £4,500,000 in 1935-36 and £10,000,000 in a full year), to restore the remaining half of the emergency cuts in the salaries of public servants (at a cost of £4,000,000 in 1935-36 and £5,500,000 in a full year) and to remove the entertainment tax on seats costing less than 6d. (with a special additional concession on cheap seats for entertainments where the performers are actually present). His final balance sheet showed a surplus of £500,000 on an expenditure of £734 million.

The budget was greeted more with approval than with applause. The concessions to small taxpayers, public

Economic Progress and the Budget

servants and audiences at cheap entertainments had been generally expected, though they were none the less welcome. The smallness of the surplus and the need for drawing upon the Road Fund even to do so much were disappointing, and some expert commentators held that, as in 1934, Mr. Chamberlain had under-estimated the prospective yield of income tax and sur-tax and of estate duties, perhaps deliberately. Attention has properly been drawn to the costliness of the subventions being made to agriculture, and the need for reviewing them in relation to the general economic capacities and requirements of the country. The raid on the Road Fund has encountered, naturally, much opposition from motorists' organisations and other interested parties, though Mr. Chamberlain gave an assurance that if money were needed for desirable road projects it would be made available. It is generally recognised, on a sober view, that in times of international disturbance and general uncertainty, such as those through which we are passing, we can count ourselves fortunate to possess not only a balanced budget but something in hand. The budget of 1935 ends the period of emergency economy that began with Mr. Snowden's second budget of 1931.

One of the extravagances that were not excised in 1931, partly because it was of a contractual kind, was the beet-sugar subsidy, which dates from the time of the first Labour Government in 1924. Under pressure from the Opposition, however, the Government set up a small committee of inquiry, under the chairmanship of Mr. Wilfrid Greene, K.C., to review the condition of the industry and to advise what should be done upon the expiry of the present undertaking to continue the subsidy. The report of the majority was a damning document.

We recognise (wrote the chairman and Sir Kenneth Lee) that the question whether continued assistance is justified depends partly on what alternative objects of government expenditure may be in view, and we appreciate that it is not within our terms of reference to consider alternative means of assisting agriculture.

Great Britain

Since, however, on a review of all the facts put before us, we are unable to find positive justification for the expenditure of a sum of several millions per annum on an industry which has no reasonable prospects of ever becoming self-supporting, and on the production of a crop which, without that assistance, would at present sugar prices be practically valueless, we cannot recommend the continuance of assistance.

If, nevertheless, it was decided to continue State support for the beet-sugar industry, the majority report put forward a plan for organisation and assistance involving the control of the industry by a permanent independent commission appointed by the Government, and the amalgamation of the different processing interests, whose efficiency had been shown to vary considerably. The third member of the committee, Mr. Cyril Lloyd, while dissenting from the main conclusion of his colleagues and urging the support of the industry for a further long period at approximately its present size, agreed with the main lines of their reorganisation plan. The majority report was naturally received with tremendous indignation by farming interests, especially in the eastern counties. It was protested that thousands of workers in productive industry were to be thrown on the dole—though in any but a physiocratic sense the industry is entirely unproductive, since its fruits have for years been worth less than the subsidies paid to produce them; and though the subsidy itself is nothing more than a corporate dole. As the majority of the Greene Committee state, “the principal value of the industry is that of a relief measure.”

III. MR. LLOYD GEORGE'S NEW DEAL

THE continuation or abolition of the beet-sugar subsidy is a minor problem for the Government by comparison with the question of Mr. Lloyd George's “New Deal” programme. At first, while Mr. Lloyd George was expounding his proposals in a series of speeches

Mr. Lloyd George's New Deal

in Wales, Manchester and elsewhere, the Government remained silent, and it was thought by many that their policy was to "lie low and say nuffin'," while the squib burnt itself out. But whether because Mr. Lloyd George was obviously gaining sympathy from a great many people, including Government supporters, or for whatever reason, on March 1 the Prime Minister addressed him a letter explaining that the Government had been inert only while awaiting a fuller exposition of his programme, and reaffirming that they were ready to consider any proposals for public works that appeared likely to fulfil such conditions as they had laid down and as he himself had publicly stated that he thought appropriate. Mr. MacDonald added that the Government were, in fact, even then considering proposals of this character, and that they would welcome further suggestions; if Mr. Lloyd George would send them his estimates and calculations, they would be considered immediately and carefully by the Cabinet. Mr. Lloyd George promptly replied accepting this offer, and after he had submitted a written memorandum there began, just before Easter, a series of consultations between him and a Cabinet committee set up to consider his proposals; as *THE ROUND TABLE* goes to press these conversations are still proceeding.

Having committed themselves so far, the Government cannot now evade a definite decision one way or the other. Mr. Lloyd George indicates that as far as he is concerned his programme is an indivisible whole. What exactly this means in practice we can only guess; for he clearly does not expect every clause and every figure to be accepted as if his proposals were a dictator's manifesto. But it does plainly mean that he will be a critic and not a co-operator unless his two main planks go into the Government platform—public works and land settlement. Now this is rather a strange combination, because the two things are dependent on fundamentally different diagnoses of the economic situation. Public works, based on government borrowing

Great Britain

and recommended as a measure of recovery from general trade depression, can clearly be justified only if the need of the moment is for a stimulus to set the economic machine moving, or rather to gear it up to higher speeds—if, in other words, “prosperity is round the corner,” and if, when the corner is turned, the prosperity we find will enable us easily to pay off the capital that we are advised to raise now.

But were such our philosophy and such our view of the economic condition of Great Britain, we could scarcely endorse, *as a general economic policy*, the settlement of large numbers of people on the land. For if the promotion of employment on the land is economically desirable (though in itself plainly “uneconomic”) then it must be because our industrial civilisation has failed and will always fail to bear the burden of its own wealth, and because unemployment, so far from being curable by stimulative therapy, is an inherent or chronic defect of the present balance—or want of balance—between industry and agriculture. The back-to-the-land movement, in brief, is a repudiation of specialisation, which is the foundation of material wealth and progress. Sound it may be nevertheless; for the rival claimants to our support, the believers in a renewal of the march to greater wealth if only we can get started, have to face the hard fact of heavy unemployment that dates from far beyond the present depression and seems to be inherent in the industrial and distributive system as we know it. If public works or some other stimulus produces a boom combined with high unemployment, it will not be thought prosperity. Yet, sage as they may be, those who cry “back to the land” are pessimists, while those who cry “prime the pump” are optimists; and when the twain join voices in one appeal to the people there must be either confusion of thought or a deliberate attempt to please everybody, no matter at what cost in consistency.

Election Prospects

IV. ELECTION PROSPECTS

IT is because his programme contains something for everybody that it is likely to have so popular an electoral appeal. This the Government fully recognise, and the prospects of Mr. Lloyd George's return to office in a reconstructed National Government later in the summer seem much brighter to-day than they seemed six months ago. They may have been realised, or may have disappeared, long before these pages are read, so speculation is useless. But at least it is clear that some reconstruction is necessary, both of the personnel of the Government and of its programme. After four years of office they have both lost their appeal—indeed, since the National Government was elected only to tide the country over the crisis, to save the pound from inflation and the budget from bankruptcy, it cannot be said to have had a long-term policy at all, other than what has emerged from its accomplishments and its immediate promises.

October or November is now thought to be the earliest (and most probable) date for the coming general election, and May 1936 to be the latest. There can be no doubt that the Government will lose a great many seats, and it is generally held that the results of 1929 rather than those of 1931 are the standard by which to judge the prospects. After the 1929 general election the distribution of seats was as follows: Labour 290, Conservatives 260, Liberals 60, others 5. The fortunes of the Liberal party show no signs of revival, and if Mr. Lloyd George and his followers move over to the Government the plight of Opposition Liberals will be even more unenviable. Even with Mr. Lloyd George still among them they can hardly be allotted more than 30 seats. If Labour is to have the working majority over all parties for which its more sanguine prophets profess to hope, it must secure some 325 seats. This does not necessarily entail winning many purely rural seats

Great Britain

(except such as were held by Labour in 1929 or earlier), but it does mean mustering a solid and well disciplined army of industrial voters and also securing a number of seats in residential and small-town areas where Labour has never yet won. By-election results, especially that at East Fulham, together with the remarkable swing to the Left in the municipalities and county councils, had encouraged Labour supporters to believe that the feat was possible, but more recently their hopes have been damped.

At a by-election in Norwood a "Die-Hard" Conservative appeared, doubtless in emulation of Mr. Randolph Churchill's exploits in Wavertree*, but instead of letting in the Labour candidate by splitting the Government vote he lost his deposit and a National Conservative won by a majority of more than 3,000. The combined vote for the Right candidates was slightly less than the Conservative poll in 1929, and the Labour vote was 1,750 more than it had been then, but this relative gain was not over-encouraging to the Labour party, since there were nearly 8,000 former Liberal votes to be divided. A by-election early in May in West Edinburgh was still more satisfactory to the Government. Not only did their candidate, a Conservative, hold a seat that had been won by Labour in 1929, but he obtained over 3,000 more votes than his Conservative predecessor had in the 1929 election, while the Labour candidate obtained actually 2,000 fewer votes than Labour had mustered at the nadir of their fortunes in 1931. The Liberal candidate, the eminent economist Sir George Paish, just escaped losing his deposit, with a vote one-third the size of that obtained by the Liberal candidate in 1929.

The change for the worse in the international situation undoubtedly affected the vote at Edinburgh and has generally strengthened the Government's position in the country. People are much less inclined to experiment politically when external dangers are apparent. Moreover, whereas a few months ago an Opposition speaker could

* See THE ROUND TABLE, No. 98, March 1935, p. 357.

Addendum

always win the cheers that presage votes by declaring that he and his party stood for peace, and by accusing the Government of taking part in an international armaments race, to-day there is much more nervousness among the public about defence, and less inclination to identify peace-seeking with pacifism. The people of Great Britain are, in these times, among the least bellicose in the world, but their political realism tells them that war is still a lively possibility, that Great Britain has a vital interest in maintaining world peace as well as a moral duty to do so, and that this obligation, no less than defensive necessity, may involve her in war, or at least in a position where the threat of collective war is required to deter a potential aggressor. Isolationism has its advocates, and so has pacifism, but between the two extremes the mass of the people feel that so long as the Devil is still at large we must be ready to fight him with his own weapons.

ADDENDUM

AMONG His Majesty's many speeches and messages thanking those who had offered loyal greeting and congratulations upon the occasion of the Silver Jubilee, none was more moving, or made a more lasting impression, than his broadcast address on the evening of May 6. But since cold print is a poor instrument to convey the emotion that his voice transmitted to his people, we preserve in the pages of *THE ROUND TABLE* not this but his equally memorable, if less personal, reply to the addresses presented on May 9 in Westminster Hall by the two Houses of Parliament.

THE KING AND THE COMMONWEALTH

My Lords and Members of the House of Commons :

I thank you from my heart for your loyal Addresses, and for the words of devoted affection which you have used in speaking of myself, of the Queen and of our Family.

Great Britain

Your presence here to-day, accompanied by the Prime Ministers of the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand and the Union of South Africa, gives rise to many memories and many thoughts. The Mother of Parliaments and her children, grown to full estate, stand now upon equal terms in common allegiance to the Crown. The unity of the British Empire is no longer expressed by the supremacy of the time-honoured Parliament that sits here at Westminster. The Crown is the historic symbol that unites this great family of nations and races, scattered over every quarter of the earth. The United Kingdom and the Dominions, India, the numerous colonies and dependencies, embrace such wide varieties of speech, culture and form of government as have never before in the world's history been brought into a Commonwealth of Peace. In these days, when fear and preparation for war are again astir in the world, let us be thankful that quiet government and peace prevail over so large a part of the earth's surface, and that under our flag of freedom so many millions eat their daily bread, in far distant lands and climates, with none to make them afraid.

I especially welcome here to-day representatives of my Indian Empire.

This, my Palace of Westminster, in the mighty heart of our Empire, is the very cradle of our envied parliamentary institutions. Here is the anvil whereon our common law was forged, to become the joint inheritance of the United States of America and our own community of peoples. Beneath these rafters of mediæval oak, the silent witnesses of historic tragedies and pageants, we celebrate the present under the spell of the past.

It is to me a source of pride and thankfulness that the perfect harmony of our parliamentary system with our constitutional monarchy has survived the shocks that have in recent years destroyed other Empires and other liberties. Our ancient Constitution, ever adaptable to change, has during my reign faced and conquered perils of warfare never conceived in earlier days, and has met and satisfied new democratic demands both at home and overseas. The system bequeathed to us by our ancestors, again modified for the needs of a new age, has been found once more, as of old, the best way to secure government by the people, freedom for the individual, the ordered strength of the State and the rule of law over governors and governed alike.

The complex forms and balanced spirit of our Constitution were not the discovery of a single era, still less of a single party or of a single person. They are the slow accretion of centuries, the outcome of patience, tradition, and experience, constantly finding channels old and new for the impulse towards liberty, justice and social improvement inherent in our people down the ages.

Addendum

When my Grandmother, Queen Victoria, of illustrious memory, rejoiced with her people on the occasion of her two Jubilees, she gave thanks for a long period of unbroken prosperity. Such periods cannot always recur. In looking back over the 25 years of my reign the thankfulness that I feel to-day is chiefly for escape from danger greater than ever before threatened our land. I can never forget how the peril from without at once united all the parties, classes, Governments, and races of the Empire; men and women played their parts; the ranks were closed and, in the issue, strength upheld the free. Let us not in this hour of thanksgiving fail to remember those who gave their lives, or who live now maimed or blinded that we might continue to enjoy the blessings of life.

Through later years our path has led uphill. In the aftermath of war, in a world exhausted by its ordeals and impoverished by its destruction, we set ourselves to resume our normal ways, to recreate the structure of our industry and commerce, and to respond to the urgent desire to improve the conditions of life. We were treading unfamiliar and broken ground, for there had been far-reaching changes, especially in economic conditions. Everywhere a feeling of uncertainty and lack of confidence hung like a shadow over human endeavour. But we have made headway by the earnest goodwill, prudence and stability of my people, and to-day the country has attained to a measure of industrial success which gives it confidence in the future.

I am very conscious that these years have brought hardship and often disappointment, and I have been moved with profound admiration for the great-heartedness of my people, and for the steadfast fortitude and unbending will to overcome, which they have ever shown in their anxieties. I sympathise deeply with those who have endured the sadness and burden of unemployment. It is a source of comfort to me to feel that from these times of trial there has grown up throughout our community a stronger feeling of fellowship one with another.

I have been blessed in all my work in having beside me my dear wife, of whom you have spoken so kindly. I give thanks to Almighty God, who has thus far sustained me and my people, and I pray that we may continue to pursue the cause of freedom and progress in a spirit of peace, tolerance, and understanding.

CANADA

I. CANADA'S "NEW DEAL" PROGRAMME

THE seventeenth Federal Parliament of Canada assembled for its final session on January 17, and adjourned on April 17 for a month's recess. A series of adverse federal by-elections and provincial general elections had shown that the popularity of the Conservative party, after four years of power, had reached a very low ebb, but the opening of the session found the party greatly heartened by the dramatic New Year move of its leader, Mr. Bennett. In a series of broadcast addresses he put forward a comprehensive programme of reforms designed to remedy evils and abuses that had been disclosed in the capitalist system as operated in Canada. These addresses not only served to revive the drooping spirits of Conservative partisans, but also induced a considerable body of neutral opinion, which had become definitely hostile to the Bennett Ministry, to pause in its condemnation and consider the possibility of securing desirable reforms through a Conservative Administration. The "New Deal" programme was applauded by the Co-operative Commonwealth party as representing a partial conversion to their own socialist doctrines; but the Liberals, although prepared to admit that it had temporarily checked the rapid decline in Ministerial fortunes, derided it as a piece of electioneering stage-play which promised no effective cure for the economic and social troubles of the Dominion. So they came to Parliament in a cheerful and militant temper, determined to drive the Government to the country at the earliest possible moment, and confident that the verdict of the polls would be decisively in their own favour.

Canada's "New Deal" Programme

For the time being, however, they had lost the initiative to the Government, and the Speech from the Throne forecast a varied programme of legislation to give practical effect to the reforms outlined in Mr. Bennett's speeches. The Prime Minister himself took personal charge of practically all the new legislation, which was making steady headway when he was laid low with a severe illness. Beginning as a minor ailment on February 24, the trouble was soon aggravated by a condition of general physical overstrain, the result of his prolonged and prodigious labours, and at one period considerable anxiety about him prevailed among his friends and followers. But his fine physical vitality asserted itself, and although his physicians insisted upon a long rest in bed, and he did not return to the House of Commons before the Easter recess, he was able to sail for England to attend the King's Jubilee celebrations. While his absence inevitably threw a cloud over the proceedings of Parliament, the veteran Sir George Perley, who had to assume the duties of acting Premier in his seventy-eighth year, happily rose to the occasion. He found his path smoothed by his popularity with the Opposition groups who, while not waiving their right of free criticism, showed as far as possible a spirit of helpful co-operation.

The Government devised for some of the measures implementing its pledges on industrial and social reforms an ingenious method of surmounting constitutional obstacles. It had always been taken for granted in Canada that legislation dealing with wages, hours of labour and industrial conditions generally were within the jurisdiction of the provinces and outside the range of federal authority. In the early days of the session, however, Mr. Bennett surprised Parliament by developing with great force and considerable skill the thesis that Canada was obliged, as a member of the League of Nations and of the International Labour Organisation, to ratify the conventions passed at International Labour Conferences under Part XIII of the Treaty of Versailles, and that she had been derelict in not

Canada

fulfilling long ago the obligations thus undertaken. Since the British North America Act empowered the Federal Parliament to carry out all treaty obligations of the Dominion, so he argued, the Federal Parliament must *ipso facto* have authority to pass any legislation necessary for that purpose, and provincial rights must therefore give way to treaty rights. As a preliminary step, therefore, the Prime Minister invited Parliament to approve formally a series of international conventions committing their signatories to minimum standards of wages, maximum hours of labour, a clear day of rest each week for workers, and other industrial labour reforms.

This thesis, however, the Liberals declined to accept, maintaining that jurisdiction over wages, hours of labour and other industrial questions had been definitely assigned to the provinces by the British North America Act, and that this allocation had been confirmed both by judicial decisions of the highest courts and by the pronouncements of a long line of statesmen of all parties, including some members of the present Cabinet. They argued that the Federal Government could commit the country only to such treaty obligations as were within its power to implement and they urged that, before the proposed industrial legislation was made operative, its constitutional validity should be tested by a reference to the Supreme Court. Protests against what was described as an unwarrantable invasion of provincial rights were also forthcoming from the Liberal Administrations of certain provinces. In a series of constitutional debates which took place in Parliament, the Government nevertheless stood its ground, and it now finds its claims about the constitutional implications of treaty commitments supported by an article in the Canadian *Political Science Quarterly* by Mr. Wilfred Jenks, legal adviser of the I.L.O. at Geneva. Meanwhile, the Government had accepted and acted upon a resolution, moved by Mr. Woodsworth, the C.C.F. leader, for the appointment of a special committee to investigate and

Canada's "New Deal" Programme

report upon the best methods of securing satisfactory amendments of the British North America Act, about whose necessity all parties found themselves more or less in agreement. This committee, which has been sitting regularly, has heard a variety of interesting evidence and suggestions from constitutional experts and civil servants.

The Liberal Opposition, unwilling to risk exposure to the charge that it obstructed useful reforms out of sheer constitutional pedantry, did not as a rule carry its objections to the length of voting against the ratification of the international conventions or against the series of industrial reform measures that were based upon them. It was content to criticise them as inadequate or as vitiated by serious flaws, and moved a number of amendments designed for their improvement, some of which were accepted. In face of such mild opposition, Bills establishing a national system of contributory unemployment insurance, laying down a maximum 48-hour week for industrial workers, and setting up machinery for the enforcement of a minimum wage, have now been passed by the Commons and sent to the Senate, which is practically certain to approve them. Another Bill introduced by the Government provides for the creation of a National Economic Council, which is to function as a general advisory staff for the Cabinet on economic and social problems. A scheme is also being brought before Parliament for the reclamation of the drought-stricken area of the prairie provinces, and before the session ends the Government will probably act upon the report of a housing committee, which has recommended the creation of a central authority to deal with slum clearance and other housing problems.

The budget, which was presented by Mr. Rhodes on March 22, contained no revolutionary proposals, but it embodied some important changes in taxation and tariffs. For the fiscal year 1934-35 Mr. Rhodes was able to claim a nominal surplus of \$2,700,000 on an aggregate revenue

Canada

of \$359 million; but when account was taken of capital and special expenditures and of the Canadian National Railways' deficit he had to admit an addition of nearly \$118 million to the national debt. For this the best that could be said was that it was an improvement upon 1933-34, when \$133 million were added to the national debt. For 1935-36 Mr. Rhodes forecast an expansion of revenues which would leave him a nominal surplus of \$21½ million, but there is no prospect of any such curtailment of the extraordinary expenditures as will avert another serious real deficit. The budget implemented Mr. Bennett's pledge to make the richer classes bear a heavier share of taxation by levying a new special surtax on "investment income" and by raising the corporation income tax from 12½ to 13½ per cent., but it relieved the gold mining industry of the tax on the premium value of gold. The tariff changes, though not numerous, were mostly in a downward direction, and not only was there a substantial enlargement of the British free preferential list but an important concession to all British goods was made through the elimination of the special import excise duty of 1½ per cent. upon them. Opposition criticism of the budget was pitched in a comparatively mild key and the Ministry had no difficulty in securing its passage.

Imperial and international problems as usual received very sparing and quite inadequate treatment, but there was an interesting debate on April 1, when Mr. Bourassa, with the special consent of the Government, moved a resolution affirming the allegiance of Canada to the Kellogg Pact and urging the Government to "support all effective measures to ensure the world's peace, either through the League of Nations or otherwise, in co-operation with other Governments." The essence of his speech was that Canada should be very chary of any commitments in Europe and that the League of Nations had failed so completely that it hardly merited further support by Canada. But his isolationist doctrines did not find favour with the

Canada's "New Deal" Programme

House and were repudiated both by Mr. Guthrie for the Government and by Mr. Mackenzie King, who reiterated their faith in the League.

Such excellent progress was made with the sessional programme that by the end of March there seemed to be only one serious obstacle to a prorogation before Easter. This was the report of the Royal Commission, originating in 1934 as a parliamentary committee, which had spent more than a year investigating wages, industrial conditions, price spreads, mass buying and correlated problems.* In the course of its hearings it had accumulated a huge mass of evidence which required a long time to digest, and the incubation of its report was attended by much controversy, with the result that it was not made public until April 13. The report, which is a voluminous document of 500 pages, will be a mine of information to students of Canada's social and economic life, and it teems with highly critical observations upon abuses and malpractices which the evidence had shown to be rife. For the cure of these evils the six Conservative members of the Commission and the solitary C. C. F. representative subscribed to a majority report which recommended a series of drastic reforms and experiments involving strict governmental regulation of a variety of commercial and financial activities. Three out of the four Liberal members, while endorsing most of these recommendations, questioned either the propriety or the practicability of others, while the fourth Liberal, an unbending Cobdenite from the West, expressed complete disagreement with the majority and contended in a minority report that the real cure for Canada's ills was to be found not in more governmental interference with business but in the elimination of tariffs and other forms of such interference which were now hampering the natural industries and throttling national development.

The most far-reaching proposal of the majority report

* See THE ROUND TABLE, No. 95, June, 1934, p. 630, and No. 98, March, 1935, p. 390.

Canada

was the establishment of a Federal Trade and Industry Commission, armed with very wide and drastic powers to administer a number of existing measures dealing with industry and commerce and to exercise a general regulatory supervision over these parts of the national life. As ancillary bodies the majority suggested, first, a Federal Securities Commission to supervise and regulate corporation finance, under a revised Companies Act containing a ban upon stock issues of no par value and upon other practices now declared to be detrimental to the public interest; and, second, a Consumers' Commodity Standards Board, which would establish and enforce standards of quality for staple products, together with other regulations in the interests of the consumer. In separate chapters the report reviews conditions in different industries such as livestock production, fishing, fruit and vegetable canning, milling, baking, furniture making and the manufacture of textiles. While it would be superfluous to give here an account seriatim of the reforms suggested for each of them, in every case the proposals made are designed to improve the position of the working producers and the consumers of their products—for example, the establishment of a Livestock Commission to regulate the livestock industry, and of a Fisheries Board to perform a similar function for the fishing industry on the Atlantic Coast. The report also makes general recommendations about wages and industrial conditions, advocating the rigid enforcement of minimum wage laws with a maximum 44-hour week as the standard hours of labour in industrial establishments; it endorses the principle of collective bargaining and urges the better organisation of both employers and workers for this purpose. In brief, this majority report of the Commission favours governmental intervention in business and finance on a scale that no Canadian party except the C.C.F. has ever ventured to contemplate before.

While the varied reforms proposed for the benefit of the worker have earned it the enthusiastic commendation of

Canada's "New Deal" Programme

labour leaders, the business and financial communities are aghast at the character of some of the proposals. Some of their spokesmen have expressed grave concern as to whether the additions threatened to the costs of production and distribution can be safely shouldered. It is understood, furthermore, that the legal advisers of the Government, following the decisions of the highest courts, doubt the competence of the Federal Parliament to establish a Federal Commission of Trade and Industry.

The report is now before Parliament and the fortunes of all political parties are bound up with the decision that the Government reaches about it. Undoubtedly the author of its more radical proposals was Mr. H. H. Stevens, the former Minister of Trade and Commerce, who resigned from the Cabinet last autumn owing to an acute disagreement with his colleagues about matters connected with the work of the Commission. After his resignation he ceased to be Chairman of the Commission but he remained a dominating influence in its counsels, and the Commission for Trade and Industry has long been one of his pet projects. In his rôle of reformer of economic abuses he has a very substantial following in the country, and just before the Easter adjournment a sharply controversial exchange in the House of Commons between himself and Mr. Cahan, the Secretary of State, who is known to have been Mr. Stevens's chief critic in the Cabinet, revealed clearly that the sympathies of a large body of the Conservative members of Parliament were definitely with the ex-Minister. He has put down a motion for the adoption of the report *in toto*, and, if it is not ruled out of order, it should produce a very fateful debate as soon as Parliament reassembles on May 20.

Mr. Stevens and his friends take the view that if the Government will only translate into legislation the recommendations of the majority report the Conservative party will be provided with a campaign appeal which will give it a reasonable chance of victory, whereas if the opportunity

Canada

is not grasped an overwhelming defeat is inevitable. But another body of Conservative opinion, represented by Mr. Cahan and the *Montreal Gazette*, feels equally strongly that a party which committed itself to such sweeping reforms and such interferences with business as the majority report proposes would no longer be entitled to the name "Conservative" and could not command their sincere allegiance. Much will depend upon whether Mr. Bennett is able to resume the active leadership of his party on his return from London; if he does, his position in his party is still so commanding that his voice will determine its future course. But if he is unable to continue as Premier there is every prospect of a bitter fight about the Conservative leadership between Mr. Stevens's friends and his opponents, and such a prelude to a general election would bode very ill for the fortunes of Conservatism.

The report also confronts the Liberal party with a delicate problem. It has been anxious for an early election and it strenuously but without success opposed the Government's decision to seek a prolonged Easter adjournment from April 18 to May 20. The Government contended that such an adjournment would not only enable Mr. Bennett to represent his country at the Jubilee celebrations in London but would give them adequate time to prepare the complicated legislation necessary to give effect to the recommendations of the Royal Commission. The Liberals, on the other hand, argued that there was no reason why after a week's adjournment for Easter the session should not be wound up in May, that its prolongation into June must postpone the general election that was urgently needed to restore business confidence, and that it was sheer effrontery for so palpably discredited a Ministry to employ this device for staving off the hour of its inevitable extinction. These taunts and criticisms left the Ministry unmoved, and as the C.C.F. party were sympathetic to their plans they had no difficulty in securing the adjournment.

The present position, therefore, is that Parliament will

Municipal Debts and Defaults

reassemble after the month's recess for a final bout of controversy in which the issues of the coming election will be shaped. The attitude of the Liberal members of the Royal Commission clearly indicates that their party is not prepared to carry its strategy of acquiescence in the Government's social reform proposals to the length of accepting complaisantly measures for the comprehensive regulation and regimentation of business. Mr. Mackenzie King and the main body of his party remain devotees of the Gladstonian Liberal creed, to which such extensions of governmental activity are anathema. Hence, if the Ministry bows to the desires of its more radical followers and accepts the majority report *in toto*, the Liberals will probably deploy in organised resistance to most of the regulatory features of the legislation submitted. But once the Government commits itself to radical measures, it cannot afford not to carry them through, and so the session may well be prolonged into July or even later. The Government has intimated that in the opinion of its lawyers the statutory life of this Parliament will expire on August 18. As the revision of the new voters' lists which has just begun will take until the middle of June, there is no expectation that polling day will be fixed before that date; and in view of the traditional dislike of the farmers towards having their enjoyment of a federal political battle interfered with by harvesting, it may easily be deferred until the latter half of September.

II. MUNICIPAL DEBTS AND DEFAULTS

IN the fifth year of the depression Canada is confronted with a serious and difficult problem by reason of the default of a number of municipalities. The municipal financial situation has been very good till recently, but the long continued strain has begun to have its effect. The amount involved and the number of municipalities concerned make the matter one of national import. There

Canada

are a little over 4,000 municipalities in Canada, and of these about 170 have defaulted on their principal and/or interest. In some cases, the defaults have the appearance of absolute hopelessness, but in the great majority there is reason to believe that with economy and good management, and above all with an intelligent division of the burden of unemployment relief, to which reference will be made later, the burden can be borne.

It is interesting, and to most people in Canada surprising, that the greatest amount of default is in the Province of Ontario, the largest and probably the most prosperous of all the provinces. On the other hand, in the maritime provinces there are no defaults at all. The explanation doubtless is that the provinces by the sea, which complained that the prosperity of the good years passed them by, were not led into the extravagant habits that were frequently adopted in more fortunate provinces.

In Ontario there are approximately \$500,000,000 of municipal debentures in the hands of the public. On December 31, 1934, the outstanding amount of unmatured principal as well as overdue principal and overdue interest was \$88,213,889, of which \$11,418,041 was overdue principal and \$3,972,380 was overdue interest. Up to the beginning of this year the affairs of municipalities in default have been under the direction of boards of supervisors appointed by the provincial Government. It is proposed, however, that there shall be direct governmental supervision, and the supervisors have made reports suggesting (in most cases) a radical reduction in the debt burdens of the defaulting municipalities.

In 1921 the total bonded indebtedness of Canadian municipalities was \$837,000,000. By 1933 this had risen to \$1,300,000,000. In those years of general expansion, the municipalities, like other taxing authorities, borrowed lavishly and created obligations on the basis of getting what they wanted and not what they could pay for. These debts were created with little regard to their self-liquidating

Municipal Debts and Defaults

quality and, as a result, when the national income was drastically cut and power to pay taxes diminished proportionately, the fact that so much of the expenditure had gone for non-productive purposes made the burden very heavy. Property values in many cases are no longer a sure indication of ability to pay taxes, and municipalities have been additionally burdened by their portion of the costs of unemployment relief.

It is not surprising in the circumstances that some instances of bad morale have occurred, though happily these are surprisingly few. The outstanding case is that of Vancouver, which is presided over by a mayor named McGeer, who is what is not infrequently called in North America a "colourful personality." Mr. McGeer, since assuming office, has caused considerable fluttering in the hearts of the holders of the city bonds by suggesting that interest rates should be cut to 3 per cent. A meeting of the city's debenture holders was called in February, and not unnaturally determined vigorously to oppose the proposal. The mayor then asked leave of the Provincial Legislature to reduce the rate of interest, but was met with a firm refusal. The city has continued to meet the required interest payments, and the budget for 1935 provides for a mill * rate to cover full interest and sinking fund requirements. To date, therefore, the issue of lower interest rates has not been forced, and the best financial opinion is that, given business-like administration, the financial affairs of Vancouver could be placed on a sound basis. Meanwhile, the mayor is organising the sale of \$1,500,000 of "baby bonds" in Vancouver to provide the funds for public works.

Despite the inclusion of interest and sinking fund charges in Vancouver's budget, it should not be assumed that the agitation for a lower interest rate has been abandoned. Canada has not escaped the propaganda so widespread throughout the world to the effect that interest

* One-tenth of a cent.

Canada

rates must be lowered—voluntarily if possible but, in any event, lowered.

This demand for reduction of interest rates is closely linked with the question of unemployment relief. Before the depression, unemployment relief was administered in a casual, hit-and-miss way, mainly by the municipalities with certain *ad hoc* subventions in cases of emergency from the higher governmental authorities. These emergencies had been so rare as to be no guide for the situation that arose in 1930 and has since continued.

When unemployment assumed large proportions the logical course would have been for the Dominion (or, failing the Dominion, the Provinces) to assume the burden. In point of fact there were political objections to this, and the course taken until recently was to leave the burden on the municipalities and to assist them with subsidies from the Provincial and Dominion Treasuries. This meant a great increase in the already high municipal expenditure, and has had the effect of raising taxes on real property to the danger point—without providing, in the larger cities, enough to pay their share of relief from current taxes. The situation is in need of firm and wise handling, and a start has been made in more than one of the provinces to deal with it comprehensively. Meanwhile, however, the mayors of many of the larger cities—Montreal, Winnipeg, Vancouver, and others—are very insistent that they cannot continue to bear, with the sources of taxation open to them, their present share of unemployment relief and also to meet their other charges, including interest on debt. It seems inevitable, particularly with the unemployment insurance legislation just introduced in the Dominion Parliament, that unemployment relief must be taken over by either the Provinces or the Dominion with a charge back to the municipalities according to their ability to pay, and if this is done there seems no reason to believe that the municipalities cannot carry on.

It is no doubt inevitable that in a situation of this kind

Municipal Debts and Defaults

the demagogue should seek to add bitterness to an already difficult situation by suggesting that the municipalities have fallen into the hands of "big business." A convincing answer to the charge is to be found in an estimate of the distribution of municipal debentures issued by Mr. Thomas Bradshaw of the North American Life Company, who was recently elected executive director of the Bank of Canada. According to him the distribution is as follows :—

(1) Trust companies for the account of estates, representing mainly the resources and income of widows and orphans, and for the account of depositors and holders of investment certificates	\$ 325,000,000
(2) Life insurance companies, held in trust for their policyholders, to meet their policy and annuity payments	275,000,000
(3) Municipal sinking funds in Canada, the interest income from which is necessary to maintain their solvency	200,000,000
(4) Fraternal benefit societies, fire and casualty companies, dependent on the income for their members or policyholders	100,000,000
(5) Banks in Canada, to enable them to pay interest on depositors' funds	90,000,000
(6) Religious, educational, charitable and other endowment funds, dependent upon the interest income to fulfil their trust	60,000,000
(7) Pension funds of civic employees, of banks and other concerns, sickness and accident funds, workmen's compensation boards, etc.	50,000,000
(8) Private individuals, as a result of thrift, resident in Canada and abroad, institutions abroad, private executors of estates of widows and orphans, courts in the capacity of guardians, and others	200,000,000
	<hr/>
	\$1,300,000,000

This distribution makes it clear that the loss incident to any default in interest will fall in the main on the small investor, and not, as has been so often represented, on a few rich individuals or institutions.

Canada

Looking to the future, it is evident that control of municipal expenditure is needed on some of the same bases as in England. Happily a beginning is being made towards this end. At the recent session of the Ontario Legislature an Act was passed providing that future municipal borrowings shall require the approval of a Provincial Board. Up to the present the provinces have confined themselves to fixing the limit beyond which municipal borrowing must not go, but have not gone the length of supervising and controlling expenditure provided the limit is not transgressed.

While the seriousness of the burden of public debt in Canada is evident, there should be no reason to regard the problem as one which the resources of the country cannot overtake, given a proper understanding of the truth. The best records available indicate that the public debt of Great Britain—that is, apart from local indebtedness—at the end of the Napoleonic wars was eight hundred and sixteen million sterling. The total public debt of Canada, including municipalities and provinces, at the present time, is in the neighbourhood of fifteen hundred million sterling. The present population of Canada is approximately the same as that of Great Britain a century back. The productive capacity of Canada, her untouched resources and other assets, must be far, far in excess of Great Britain's 120 years ago. If these facts be so, then the ability of Canada to meet her obligations should not be called in question.

Canada,
April 25, 1935.

AUSTRALIA: A POLITICAL MISCELLANY

AFTER a federal election fought in a "round-the-corner-at-last-thank-goodness" atmosphere, and after the excitements and diversions of a Royal visit, Australian opinion felt, as if it had been a chilly wind, Mr. Bruce's warning on Australia Day that 1935 bade fair to be one of the most critical years in the country's history. The High Commissioner had chiefly in mind, no doubt, the difficulties, commercial and political, confronting Australia in her external relations. Internally, political conditions seem likely to remain fairly stable. State elections in Victoria, in which rural rehabilitation and unemployment were the outstanding issues, resulted in the return to power of Sir Stanley Argyle (United Australia party). Both the Labour party and the Country party, however, gained seats, and since the latter party has refused to re-enter a coalition Ministry the session will doubtless be stormy.* State elections are due shortly in New South Wales and in Queensland. There is no general expectation that either the Stevens (United Australia) or the Forgan Smith (Labour) Governments will be defeated.† So far as the federal elections last year serve as a guide, the stiffest contest will probably take place in New South Wales. Efforts to reunite the Labour forces, however, have repeatedly failed, and if the two anti-Labour parties (United Australia and Country) are able to go to the polls on an agreed basis, as they did in Victoria, the Government should remain in office for another term.

* See postscript, p. 618.

† This forecast was proved correct by the results of the elections held in the two States on May 11.—EDITOR.

Australia: A Political Miscellany

In external affairs, by contrast, all is perplexed and unstable. The Commonwealth Government has had to make too severe an adjustment between its two component parties to leave much time for public discussions of the simple essentials of policy. The result is that Australian opinion on overseas markets is expressed in a babel of sectional voices. On the political problem of the Pacific, there is scarcely any voice at all.

I. OVERSEAS TRADE

THE general outlook on overseas trade is well illustrated by the appointment of Sir Henry Gullett, who represented the Commonwealth as Minister of Customs at the Ottawa Conference, to the new office of Minister in charge of Trade Treaties. The Government has been trying to establish by negotiations fresh markets overseas for Australian products. It was recently reported that in addition to negotiations with Japan and New Zealand the Minister had begun discussions with representatives of France, Italy, Belgium, Germany and Czecho-Slovakia. The negotiations with the British Government about the regulation of the market for Australian meat during the remaining currency of the Ottawa agreements have been more or less continuous in recent months. The Minister's task has been extraordinarily complicated. At almost every point where Australia seeks to extend markets for her primary products, she finds she has to consider at whose expense any countervailing concessions are to be given. That kind of question cannot be satisfactorily answered until Australia is in a position to define more clearly, at any rate in general terms, the place that she expects her own manufactures to take in the national economy. The Tariff Board has been hard at work drawing the necessary preliminary distinction between inefficient or uneconomic industries, which in the long run are a burden to the country, and the efficient and economic industries whose

Overseas Trade

processes create the indispensable home demand for Australian primary products. In so far as the trade negotiations assist the Government to clarify that distinction, they will serve the country well.

The Government decided to take advantage of the Prime Minister's presence in London this year at the celebration of His Majesty's Jubilee to arrange for full discussion of trade relations between Australia and Great Britain. With that end in view Mr. Lyons is accompanied by one of the most comprehensive delegations that has ever gone abroad to represent Australia. It comprises, in addition to the Prime Minister, the Minister in charge of Trade Treaties and Mr. Thorby (an Assistant Minister belonging to the Country party), together with the Chairman of the Tariff Board and a large staff of expert advisers; and it will be strengthened in London by the presence of the Attorney-General (Mr. Menzies). In London also the delegation will have the great advantage of Mr. Bruce's ability and experience. In the absence of Mr. Lyons, the Minister for Commerce and Leader of the Country party (Dr. Earle Page) is acting as Prime Minister at home.

The British public will already have been made familiar with the essentials of Australia's case in the trade discussions. She speaks as a country whose rural economy has been planned for an expansion and development which are still quite incomplete. That is why the first article in the Government's *credo* is expansion of the overseas demand for Australian products rather than any curtailment of supply. That seems to be a reasonable case, not only from the point of view of Australia's own needs, but also from the wider point of view of international trade. Australia's idea of what such a policy involves in the way of opportunities in Great Britain, however, has sometimes been put in a rather extreme form. It is said, for instance, that after the legitimate needs of British agriculture have been satisfied, the Dominions have a moral right, as against the foreigner, to unlimited access to the residue of the British

Australia : A Political Miscellany

market. That demand appears to be unreasonable and absurd. To make it is to ignore the strong claims to a share in the British market for imported foodstuffs that are held by foreign countries which buy large quantities of British manufactures.

Australia can justly continue to ask, however, for a preference in the imperial market, subject to safeguards for the preservation of British agriculture. In putting forward such a demand, Mr. Lyons hopes to convince the British Government and people that Australia is not actuated merely by "insular selfishness." The Australian case is that the only satisfactory long-range objective for the world as a whole is the stimulation of the international demand for goods, and that the greatest responsibility for encouraging a revival of trade in basic foodstuffs and raw materials rests upon the creditor countries. Of course the Commonwealth Government understands that an effective claim for preference must be based on commercial considerations as well as upon those of imperial security and imperial sentiment. Before leaving Australia the Prime Minister said that he would propose, by way of consideration for Australia's claim, the resumption of migration, further tariff concessions, and developmental projects attractive to British capital. This part of the Government's case has probably not been thought out as thoroughly as the occasion will require. The "considerations" mentioned by Mr. Lyons have not been much ventilated in Australia by the Government. General Australian opinion, at any rate, has not begun to appreciate the significance, from the point of view of migration and of Great Britain's population problem, of the falling birthrate in Great Britain. Australian discussions about migration are still based on the assumption that Great Britain is, and will remain, overpopulated.* Nor have the fresh developmental projects

* The article on Empire Migration in *THE ROUND TABLE* for December, 1934 (No. 97, pp. 60-78), breaks ground which is substantially new in Australia, except to a few close students of imperial problems.

The Pacific

which the Prime Minister has in mind been disclosed to the public here. In general it may be supposed that the Government's case can be rested more securely on past than on future investment of British capital in Australia. The investment policy which is resulting now in a steady expansion of Australian primary industries, especially the meat industry, has been in a real sense an imperial policy—a policy in which Great Britain has been a willing partner. That expansion is not yet complete, and it is impossible to reconcile the investment policy of the past with the imposition of permanent restrictions for the future.

A realistic survey of Australia's future does not suggest that even on purely national economic grounds she could remain indifferent to her opportunities in the British market. On the contrary, she will probably have to make the most of them. Nevertheless British policy makes it imperative for Australia to seek fresh outlets for her marketable surplus. Probably the greatest opportunity lies in the East, though as yet its potentialities are hard to determine. The Government is taking the possibilities of the East more seriously than hitherto, and is embarking on a fairly comprehensive policy of appointing trade commissioners. The first such appointments are now being made at Batavia, Shanghai, Tokyo and Cairo.

II. THE PACIFIC

THERE is really a quite considerable interest in international affairs in Australia. Both the news columns and the editorial comment in all the principal newspapers give a creditable amount of space to current issues in world affairs. Broadly speaking, however, the country's interest is rather that of a spectator than that of a participant. After all, this is only what might be expected. There is a noticeable absence of discussions in Parliament upon Australia's external relations, and the tradition of the

Australia: A Political Miscellany

Government has been in the direction of reticence in such matters. Australian nationalism in fact has been negative rather than positive; the difference between "status" and "function" adverted to by the Balfour Committee in 1926 is very apparent in this country. Trade, however, is rapidly leading Australians to think of their own direct relations with other countries. To a question like the challenge in the ROUND TABLE article on "Power Politics in the Pacific"*—what is to be the contribution of the Dominions to the solution of the Pacific problem?—there would be no general Australian answer at all.

A visiting admiral is reported to have said that he thought Australian opinion was "a bit mad about defence"—meaning, it seems, unnecessarily sensitive and apprehensive. Apprehension is certainly there, though it is not very vocal; it would be a complete mistake to suppose that Australian opinion was alive to the vital strategical considerations of the air-power age. Absolute silence has been observed by all in authority since Sir Maurice Hankey's visit, and though it may be inferred that in increasing the estimates for air defence the Government was acting in close co-operation with some general scheme of imperial defence, the public does not understand what is going on. Australians have not at all realised yet the high degree of potential protection from attack which air power might confer upon Australia.

The statement in the ROUND TABLE that the Dominions have much to offer in diplomacy towards the solution of the Pacific problem† would be quite novel to most Australians, and there would be nothing like a general opinion as to what this country could offer. The country has not been led to examine the position created in the Pacific by Japan's denunciation of the Washington naval treaty. Among those who have faced the problem there would probably be general agreement with the thesis put

* See THE ROUND TABLE, No. 97, December, 1934, pp. 1-20.

† See THE ROUND TABLE, No. 97, December, 1934, p. 19.

The Pacific

forward in the ROUND TABLE—an attempt to reconstruct the collective system in the Pacific upon a basis of Anglo-American co-operation, respect for the integrity of China, association with Russia and potentially association with Japan also. But most of those who have given thought to the problem are very pessimistic about the possibilities of Anglo-American co-operation in formulating any positive foreign policy. Their pessimism has been deepened by President Roosevelt's failure to obtain the necessary majority in the Senate for the adherence of the United States to the World Court. Observers here were quick to notice, too, the rapidity with which the calming pronouncements of Mr. Hirota in his review of Japanese foreign policy were followed by Admiral Osumi's now famous declaration that Japanese naval expenditure must irresistibly mount higher "like fish in the spawning season."

Such Australian opinion as exists on the Far Eastern position is divided. A section is very sympathetic towards Japan, and though this view has provoked a considerable amount of disagreement few Australians would be surprised if they learnt that, as a result of Mr. Latham's mission to the Far East, the Australian Government had represented to the British Government the merits of a friendly policy towards Japan. Trade connections have accentuated Australia's desire to remain on friendly terms with Japan, and many Australians think that the greatest contribution Australia can make towards the appeasement of relations between Japan and the British Commonwealth is to develop mutual trading relations between Australia and Japan, based on such complementary economic aptitudes as Australia for wool and Japan for silk.

It is a matter for very considerable regret that the Prime Minister has left the country without giving any indication of the policy which the country will put forward during the discussions in London on the political problem in the Pacific.

Australia: A Political Miscellany

III. WESTERN AUSTRALIAN SECESSION

ANOTHER matter to which the Commonwealth Ministers will doubtless give their attention in England is the Western Australian secession petition.* Certainly it is high time that the case for the Commonwealth was explained more effectively to the British public. Candour compels the admission that, in the more populous States at any rate, opinion has not regarded the secession movement with sufficient seriousness and sympathy. There has been a tendency to think that the demand for secession is put forward only to secure attention to the grievances that the State feels ; to suppose that the movement is merely an agitation which, if ignored, will soon die down ; and to expect that the Imperial authorities would immediately refer the whole matter for settlement in Australia. The Commonwealth Government did indeed authorise the preparation of a reply to the State's *Case for Secession*. This *Case for Union* was posted just before the federal elections to every elector, not only in Western Australia, but in South Australia and Tasmania as well. Unfortunately, however, though the substance of the Commonwealth's case against the State is certainly to be found in the pamphlet, the latter's whole scheme and tone are contentious, and its attitude is that of the debater. On the whole, it deserved the criticism made by *The Times*, that there were passages in it which could only exasperate opinion in Western Australia. Apart from the preparation of the *Case for Union*, however, the Commonwealth Government held very much aloof from the secession affair during the last quarter of the year, while the Western Australian delegation went to London and prepared the way for the presentation of the State's petition.

Until after the petition had actually been presented the

* See THE ROUND TABLE, No. 91, June, 1933, pp. 681-3 ; No. 92, September, 1933, pp. 905-7 ; and No. 96, September, 1934, pp. 892-6.

Western Australian Secession

reports that came from London seemed rather to confirm the feeling, widely entertained in the eastern States, that while the authorities were being polite and felt some sympathy with the State's grievances they could actually do nothing and indeed secretly regarded the proceedings as rather a joke. Early in the New Year rather different reports were cabled out. It was said, for instance, that the secessionists were "making headway"; that the State's case, when examined, was "extraordinarily strong"; and that it was scarcely likely that Australia would "permanently resist the State's demand." Public opinion in Australia had thus become apprehensive about what might take place in London, and when Lord Hailsham, in moving for a Joint Select Committee, said that both the State and the Commonwealth desired to be heard on the "grave issues" raised, opinion here was quite prepared to misunderstand—and in many quarters did misunderstand—the nature of the action contemplated. People jumped to the conclusion that the Imperial Parliament had in view an enquiry into the merits of the Western Australian case, without any reference to Canberra. In reply to suggestions that the action to be taken in the United Kingdom was unconstitutional, Mr. Lyons promptly explained what was really proposed. But the incident may serve to illustrate the undoubted fact that the Commonwealth's abstention from adopting the Statute of Westminster does not in the least represent any desire on the part of the Australian people to accept a position of more qualified legislative autonomy than is represented by that Statute.

What Lord Hailsham actually proposed, of course, was a Joint Select Committee, not to consider the merits of the case put forward in the State's petition, but "to report whether the same is proper to be received." The petition, in accordance with practice, had been referred to the House of Commons' Committee of Public Petitions, which had expressed itself as uncertain whether the House should receive the petition, and had recommended the appoint-

Australia: A Political Miscellany

ment of a Select Committee to advise on the matter. Lord Hailsham's motion represented simply the Government's acceptance of this proposal, modified so as to secure common action by both Houses. In advance of the Committee's deliberations, some observations on the position as it appears here may not be out of place.

Mr. Lyons is reported to have said that secession was "a matter for the Commonwealth alone." No full explanation has been given by the Government of its view of the issues involved. Presumably, however, the dictum just quoted means either that secession can be effected in Australia by amendment of the Commonwealth Constitution, or that action by the Imperial Parliament otherwise than upon request from the Commonwealth would be unconstitutional. Opinions have been given by eminent lawyers adverse to the former proposition, and it may be conceded that an Act of the Imperial Parliament on the point would be expedient, if only to remove all possibility of doubt. This, of course, leaves unaffected the alternative meaning of the Prime Minister's proposition. That contention is totally ignored by the supporters of the State's petition. They put it that since separation is not within the jurisdiction of the Commonwealth, the matter is not "a purely domestic matter;" and that the Imperial Parliament in the exercise of its legal sovereignty has sole power to effect the State's withdrawal. But the real question appears to be not one of power, but one of the exercise of power. It seems futile to ignore the fact that the State has become part of a larger political entity, and that convention has defined with a high degree of precision the proper constitutional relations between the Imperial Parliament and the Parliaments of such entities. Admittedly the Statute of Westminster does not suffice to determine the matter. But that only leaves the exercise of power to be determined by constitutional understandings or conventions. The relevant convention here has been several times laid down in unequivocal terms in

Western Australian Secession

recent years. "The constitutional practice is"—so ran the Balfour Report in 1926—"that legislation by the Parliament at Westminster applying to a Dominion would only be passed with the consent of the Dominion concerned." That practice rests, of course, on political realities.

The constitutional way out of the present position is by no means clear. The acceptance of the Western Australian argument, based as it is on a complete refusal to discuss conventional restraints on the exercise of legal power, would, as *The Times* put it, "end all constitutional stability." But a settlement in Australia appears remote, for the Commonwealth has made it perfectly clear that it will not countenance any claim for secession, and that under present circumstances it will not even propose any substantial constitutional amendment. In so far as the State's disabilities are economic and financial, they were adequately examined by the Commonwealth Grants Commission last year. Its report—an important State document which has received too little attention—shows that the grievances alleged have been very greatly exaggerated, and the Commonwealth Parliament has made a grant, calculated by the Commission on liberal lines, with a view to enabling the State to function with reasonable efficiency at a standard not much inferior to that of other States. But the trouble is that the State's grievances are emotional as well as financial. When a community begins to talk the authentic language of nationalism, it is not a complete answer to say that its desires for separate existence are founded on a misreading of the position, and that both it and the community of which it forms a part would be worse off after separation. More sympathetic and constructive discussion of Western Australia's place in the nation is clearly needed before even the main lines of a settlement can be discerned.

At the same time, it should not be assumed—as some English papers are reported to have assumed—that the

Australia: A Political Miscellany

secession petition represents the deliberate will of the great bulk of the Western Australian people. True, there was in 1933 a two-to-one vote in favour of secession. On the same day, however, the State rejected the Premier who had been one of the staunchest advocates of secession, and returned to office a Labour party which would not go beyond pledging itself to act in accordance with the vote of the people. What is more, the people had an opportunity at the federal election last year, held after the abortive Constitutional Conference earlier in the year, to show how much secession meant to them. Among thirteen candidates for the Senate, one who stood as a Western Australian Nationalist and another who stood as a Nationalist Secessionist were at the bottom of the poll, securing only a fraction of the number of primary votes polled even for the leading Douglas Credit candidate. At least this fact shows how little the secession issue is one of hard practical politics to-day. Still more significant of the great division in Western Australian opinion is the fact that on the secession issue the *Western Australian*, the leading daily in the State, and one of the most responsible journals in Australia, has remained editorially silent all through the secession campaign.

IV. THE IMMIGRATION LAW

THE attempt of Mr. Egon Kisch, a national of Czechoslovakia and an author with radical affiliations, to visit Australia with the primary purpose of attending an Anti-War Congress in Melbourne last November has given rise to some interesting decisions on the Commonwealth Immigration law, and a good deal of public discussion. The master of the vessel on which Mr. Kisch was sailing prevented him from landing, under the authority of a purported declaration by the Minister for the Interior that, on the basis of information received from the Govern-

The Immigration Law

ment of the United Kingdom through official channels, Mr. Kisch was, in his opinion, undesirable as an inhabitant of, or a visitor to, the Commonwealth. Such a declaration, if properly made, would have brought Mr. Kisch within the category of prohibited immigrants, and have rendered him liable both to imprisonment and to deportation if he did actually land in Australia. Another section of the Act makes lawful the detention of a prohibited immigrant by the master of the vessel concerned. A Justice of the High Court held that the Minister's purported declaration was in fact not a declaration within the meaning of the Act at all. The master had therefore no legal justification for detaining his passenger, and his release was ordered. On his coming ashore, however, Mr. Kisch was promptly required by a customs officer to submit himself to a dictation test as authorised by the Act. The Act describes as a prohibited immigrant any person who fails to pass the dictation test, *i.e.*, who fails to write out at dictation a passage of 50 words in length in any prescribed language. This particular formula—"any prescribed language"—was inserted by an amending Act of 1905, at the special request of the Japanese Government, which felt that the previous formula was discriminatory and objectionable. No regulations having been made under the Act prescribing any languages, the situation is governed by a section of the Act which provides that pending the making of such regulations any language available under the original Act of 1901 shall be deemed to be prescribed for the purposes of the amending Act. All that the Act of 1901 says is that the test must be administered in "an European language." Mr. Kisch was well known to be an accomplished linguist. Accordingly the officer selected a language which the immigrant was thought unlikely to know and read a passage in Scottish Gaelic. Mr. Kisch failed in the test, and was thereupon convicted by a magistrate on a charge of being a prohibited immigrant and sentenced to six months' imprisonment. From this sentence Mr.

Australia: A Political Miscellany

Kisch appealed to the High Court on the principal ground that Scottish Gaelic was not "an European language" within the meaning of the Act. By a majority of four Justices to one, the High Court allowed the appeal.

Mr. Kisch went free, and the rejoicings of the radicals mingled with the execrations of the Gaels. So violent indeed were the attacks by correspondents in a leading Sydney newspaper, not only on the result but even on the competence and reliability of those who reached it, that proceedings for contempt of court were taken, and a full and unreserved apology exacted. As so often happens in such cases the critics had overlooked the narrow technical frame within which the judges had to work. The principle laid down by the court involves no insult either to Gaelic or to Gaels. The Justices agreed that, in an Immigration Act purporting to lay down a dictation test for persons coming into Australia from abroad, the words "an European language" must be understood not philologically but practically, and the meaning of the phrase was not to be ascertained by asking about any given tongue, first, is it a language, and second, is it European. The principle involved in the judgments appears to be that in order to be "an European language," in that particular context, a language must be an official or standard language in a recognised European political community.

Incidentally, the case served to show what widely different purposes the dictation test can be made to serve. The test was originally proposed as a form of education test, and it was well understood both in Australia and abroad that it was to be used to exclude Asiatics of the labouring class. In recent years, however, it has frequently been used as a means of excluding persons of European origin who are, on political or other grounds, deemed undesirable. As used in such cases there is something exceedingly arbitrary about it. Recently, for instance, a test in Dutch was given to an unwelcome visitor from New Zealand; for of course the test can be used just as freely against British subjects as against

The Immigration Law

aliens. There is a considerable feeling in the country that the dictation test ought not to be used for this kind of purpose, and that the other provisions of the Act ought to be adequate for such cases. Those other provisions class among prohibited immigrants, not only persons suffering from certain physical defects and persons otherwise socially undesirable, but also persons generally who advocate the political use of violence or even who are members of societies which do so. In addition there is the now famous section 3 (gh), under which the Government originally acted in the Kisch case, prohibiting entry of "any person declared by the Minister to be, in his opinion, from information received from the government of the United Kingdom or of another part of the British Dominions or from any foreign government through official or diplomatic channels, undesirable as an inhabitant of, or visitor to, the Commonwealth." It may be hoped that the subterfuge of a dictation test will not be so frequently resorted to in this kind of case in future.

In order to vindicate the law, the Government subsequently made another declaration under section 3 (gh), upon the strength of which Mr. Kisch was again sentenced to imprisonment as a prohibited immigrant. He appealed again to the High Court, but the Government agreed later to allow him to leave the court as a free man, and accordingly he withdrew his appeal.

Many people have become apprehensive by reason of the fact that the law was invoked in this case at all. It will be conceded by most people that, as the Attorney-General put it in the House, the general liberal principle of freedom of speech in a democratic order reaches its limit at the advocacy of violence. Mr. Kisch was said to be a member of the Communist party, and if he were he may perhaps have been within the scope of that section of the Act which prohibits the entry of any person whom "the Minister" deems "undesirable." Without pretending to form any concluded opinion on the precise merits of the Kisch case, many people have had the uneasy feeling, as they look round

Australia: A Political Miscellany

the world and see what is happening elsewhere, that the very existence of such wide discretion as this consorts better with dictatorship than with a democratic parliamentary order.

There is, however, one satisfactory aspect of the whole matter in these days of arbitrary action by Governments in many countries. The Commonwealth Government claimed to be acting according to law, and the validity and legal propriety of its action became the subject of public discussion and of decision in the ordinary courts of justice. The decision was adverse to the Government and was disappointing to large sections of the people. The order of the court was, however, obeyed without hesitation. It is gratifying to reflect that no other course would have been tolerated by the community. It is not in every country of the world that an alien, viewed by the Government as undesirable, and having in fact and in law no standing as a member of the community, would have the opportunity of litigating his complaint and obtaining a favourable decision against the Government of the country that he desired to enter.

It should not be thought, however, that this case establishes that an alien has any right to enter the Commonwealth. The result in this particular instance was due to the fact that the Government elected to pursue a certain procedure when other courses were open to it, and that, apart from the merits of the case, it was unfortunate and, as most would agree, injudicious in its decision.

V. THE CENSORSHIP OF BOOKS

THE fear expressed in many quarters that the Commonwealth Government is developing repressive habits has been intensified by its reluctance to give any serious consideration to the very widespread complaints about the censorship of books by the Customs Department. Many people regard with misgiving the action taken in banning

The Censorship of Books

certain books, not so much because of the importance of any particular case as because of the principles involved.

In all the States the ordinary law of defamation, blasphemy, obscenity and sedition is in operation, very much along familiar British lines. In addition the Commonwealth, by means of the statutory power of the Governor-General in Council to prohibit imports by proclamation, has exercised a quite considerable, though rather erratic, censorship of imported books and magazines. There does not seem to be any regular procedure for scrutinising imports of books, and apparently packages are selected more or less at random for examination. Books which an officer of the Customs Department (specially selected for the purpose) regards as indecent or seditious are prohibited from being imported. No list is published for general information. The importer is simply told that he cannot import the book. There is provision for him to test the decision in a court of petty sessions, but this resort, naturally enough, is seldom made. From the point of view of the book trade, there are undoubted conveniences in this curious method of administration—especially in the absence of publicity attending the proceedings. But the procedure has also the disadvantages of uncertainty and haphazardness. It should perhaps be added that in doubtful cases of indecency the Minister is assisted in giving a decision by advice from a small honorary advisory committee, composed of men of education and high literary judgment.

There is a vital distinction (to a considerable extent ignored in public discussion) between the two broad grounds upon which the importation of books is being prohibited—indecenty on the one hand, and what may be generally called sedition on the other. A community that maintains a comprehensive system of film censorship cannot with much consistency object to the principle of excluding indecent literature. What is complained of under this head is the apparently capricious results reached in the administration of the law. For the guidance of the Department a regulation lays down that "the term

Australia: A Political Miscellany

'indecent' is intended in its wider sense, and collectors of customs are guided . . . by their experience of what is usually considered as objectionable to the household of the ordinary self-respecting citizen." The banning of *Brave New World* and of *Ulysses* has shown what results can be reached in the application of this principle. It is understood that Mozley's translation of Ovid's *Art of Love* in the Loeb Classical Library is also prohibited. So also are the cheap editions of the *Decameron* and Balzac's *Droll Stories*. Defoe's *Moll Flanders* has been said to be on the list. How such a Department can tolerate complete editions of Shakespeare, or even the Bible, it is hard to imagine.

The Minister has affected to treat with valorous indifference the complaints of the way in which the principle of indecency is applied. To the complaints of the way in which seditious literature is excluded, he has made no reply at all. He did indeed say recently in the House that almost all the banned books were excluded on the score of indecency, but this is generally regarded as an exaggeration, and it is known that among the 250 or so excluded books and magazines there is a quite substantial quantity of political and historical literature. The law as it stood in 1929 was that books were prohibited wherein was advocated the overthrow by force or violence of the established government of the Commonwealth or of any State, or of any other civilised country; the overthrow by force or violence of all forms of law; the abolition of organised government; the assassination of public officials; or the unlawful destruction of property.

Even within this field, perhaps, there might be room for judicious discrimination between works of a scientific or historical character and mere inflammatory diatribes. But in 1932 the law was amended by the addition, to the words quoted above, of a drag-net clause prohibiting literature "wherein a seditious intention is expressed or a seditious enterprise advocated." The list of books which, in one way and another, one discovers are prohibited is rather startling. Many of them are in regular use in university classes and are to be found on the shelves of

The Censorship of Books

any serious library. Ryazanoff's recent annotated English edition of the *Communist Manifesto* was for some time on the list, until an outcry was made. Almost none of the works of Lenin, it seems, may be imported, nor Stalin's *Foundation of Leninism*. Recent additions to the list include works seriously reviewed in one English weekly after another, and listed in the Book Review Digest—such as Palme Dutt's *Fascism and Social Revolution*, and Allen Hutt's *Condition of the Working Class in Britain*. Examples could be multiplied by any bookseller or librarian.

A quite considerable volume of feeling has been aroused by recent revelations of how the system works, and in Melbourne the public interest was well illustrated by the fact that on a stifling evening the Town Hall was filled by an audience of three thousand people listening to a debate organised by a leading newspaper on the proposition that "political censorship" of books should be abolished. Literary and scientific associations have taken up the cudgels, and in January the General Council of the Australasian and New Zealand Association for the Advancement of Science unanimously adopted the following resolution:

that since all books are subject to the laws concerning defamation, obscenity and blasphemy, it is desirable that they should be admitted without censorship into Australia, and that as a first step towards this end no book on any historical, political, educational or economic subject that is freely circulated in Great Britain should be subject to censorship in Australia.

The first step indicated in this resolution would represent a very substantial widening of the area of literary freedom in Australia. There is a good deal to be said for the view that the existing principles, even if administered less capriciously and with more publicity and responsibility, are too restrictive, and that Australia would do well to gain experience for a time of the way in which a more liberal tradition operates in Great Britain.

Australia,
March 27, 1935.

Australia: A Political Miscellany

POSTSCRIPT

POLITICAL CHANGES IN VICTORIA

SINCE the article was written there has been a sudden change of Government in Victoria in circumstances that have made Australian parliamentary history. Sir Stanley Argyle's Government (United Australia party) has been replaced by a Country party Ministry under the leadership of Mr. A. A. Dunstan. The Country party has never before formed a Government of its own in Australia.

The new Ministry came in as a result of a motion of want of confidence, moved by Mr. Dunstan immediately after the newly elected Parliament had assembled, and carried with the support of the Labour party. The fact that the Labour party disclaimed any intention of forming an alliance with the Country party, rejoicing simply in being able to "divide and conquer," and that Mr. Dunstan had himself, only a week or two previously, actually accepted the Deputy-Premiership under Sir Stanley Argyle, lent a rather cynical air to the whole proceeding.

In the previous Parliament the United Australia party and the Country party had co-operated in forming a "National" Government, which included Mr. Dunstan and two other Country party Ministers. When the electoral campaign approached it was arranged that the parties should both support a joint Ministerial policy, though the leader of the Country party was left free to express the special objectives of his own party. The party's success in winning three seats from the United Australia party, however, encouraged larger ambitions. The Country party members in Parliament are closely controlled by the party machine outside, and the party machine has always been disinclined towards composite Ministries. Whether Sir Stanley Argyle might have been able to secure agreement by offering substantially more

Political Changes in Victoria

generous representation in the Ministry cannot be known. At all events the party machine directed the withdrawal of the Country party members from the Ministry, even before the new Parliament opened ; and the sequel was the defeat of the Government already described.

It is understood that the United Australia party Government considered carefully whether to advise a dissolution. Certainly the whole election had been conducted on the assumption that a composite Ministry would continue, and no attempt whatever was made to suggest that the Country party had any mandate from the people to take the course it did. Mr. Dunstan was in fact hard put to it to adduce any grounds for his motion ; the more so since Parliament had only just assembled, and he had himself been a member of the composite Ministry whose policy had been generally endorsed at the polls. He emphasised the fact that the United Australia party had lost seats to his own party ever since the election of 1932, and he made much of the fact that the Country party had expressed its own policy of rural rehabilitation in terms rather more precise and comprehensive than those of the composite Ministerial statement. But it was not possible effectively to conceal the complete disavowal of the whole basis on which the parties had gone to the polls. The Argyle Government decided, however, not to advise a dissolution—perhaps wisely for themselves. The Country party's tactics occasioned singularly little public criticism.

On Sir Stanley Argyle's resignation the Governor sent for Mr. Dunstan, but in view of the uncompromising attitude expressed by the Labour party during the debate His Excellency thought it necessary, before commissioning Mr. Dunstan to form a Ministry, to assure himself that the Country party had a reasonable prospect of securing Labour support for its general programme.

Australia,
April 30, 1935.

SOUTH AFRICA

I. SOUTHERN RHODESIA AND THE UNION

AT the time of our last article on the affairs of Southern Rhodesia* the position was that the Reform party, led by Mr. G. M. Huggins, had gained a narrow victory over the Rhodesian and Labour parties, and that the new Ministry had promptly given notice to terminate the Union-Southern Rhodesian Customs Convention as from the end of June, 1934. In the event, however, the Convention was maintained by mutual consent till February, 1935, when a conference was held in Cape Town early in the present session of the Union Parliament.

The reasons for the delay were that Mr. Huggins journeyed to London to discuss certain matters with the Dominions Office, and then that on his return home he found the political situation such that he was obliged to ask for a postponement of the conference. Some of his followers in the Legislative Assembly were not willing to support him on important issues, and were moreover angry that he had gone outside the party for a Minister of Agriculture. Taking his cue from Great Britain and the Union, he decided to set up a national Ministry which would be stable enough to tackle the accumulated results of the depression, to formulate a reasoned native policy, and to speak unhesitatingly to the Union in the matter of customs. The Labour party stood aloof, and a small section of the Reform party broke away, retaining the old title, much as in the Union the followers of Dr. Malan claim to be the true Nationalist party; but the main body of Reformers

* See THE ROUND TABLE, No. 94, March 1934, pp. 442-7.

Southern Rhodesia and the Union

concluded a pact with the Rhodesian party, led by Mr. P. D. L. Fynn, and at a general election early in November, 1934, the "national" candidates practically swept the board.* Mr. Huggins formed a strong Ministry, which included some good fresh blood. Again as in the Union, the fusion of the two big parties followed almost automatically in December.

It is to be hoped that, like the Roman Emperors of old, Mr. Huggins has appointed someone to whisper in his ear each day: "Look behind thee; remember thyself mortal"; for indeed his triumph is complete. Everything is going well . . . at present. There is no unemployment worth speaking of; a record year for the mines has just closed with the gold output alone passing the £5,000,000 mark for the first time; revenue is so plentiful, thanks to the proceeds of the gold premium tax and customs dues, that a remission of income tax is promised as well as the restoration of penny postage with neighbouring countries. Salisbury, the capital, proposes to assume the proud title of city, and the general public is eagerly awaiting the golden joys that are to flow from the state lotteries, which were decreed at a recent plebiscite to the embarrassment of the more sober-minded Union and, it is credibly reported, of the Rhodesian Premier himself. In the background, Northern Rhodesia, in which its southern neighbour is naturally deeply interested, is steadily pulling uphill out of the slough of the depression.

The programme of the new United party Ministry will tax its ability and discipline to the utmost. Labour holds that Mr. Huggins's policy will lead either to "a black Rhodesia or union with the South." There is, on the face of it, little likelihood of either eventuality. While in London, Mr. Huggins discussed native policy with the Imperial authorities, and urged them to formulate a policy which would deal fairly with white and black "in the black

* 1933 election: Reform party, 16; Rhodesian party, 9; Labour party, 5.
1934 election: United party, 24; Reform party, 1; Labour party, 5.

South Africa

countries where they had encouraged white settlement." Doubtless anything so comprehensive as that will have to wait for the completion of the African survey which Sir Malcolm Hailey and his colleagues are so unobtrusively organising. It is not known how far Mr. Huggins succeeded in persuading the Crown to relax the hold over Rhodesian native policy which it retained under the Constitution of 1923, but he states that he did receive enough encouragement to warrant him in embarking on a policy based on the "gradual differential treatment of the natives." The outlines of this policy, which is to be carried out by the Minister under the guidance of a newly created Secretary for Native Affairs, is clear enough; the restoration of the powers of chiefs and headmen until such time as the tribesmen are ready for councils on the Transkeian model, and the development of the extensive reserves* so that all Bantu who at present dwell on Crown lands or farms in European areas may go thither. Then, much more difficult still, there is to be the improvement of the natives' "economic value" and the direction of their channels of trade so that they will not "undermine the economic structure of the white race." One sidelight on the possibilities latent in this last scheme is the proposal to develop native agriculture "on lines supplementary to and not competitive with that of Europeans." That may work out to the satisfaction of all concerned, and it is only fair to give Rhodesians the credit for good intentions, which Union citizens, with their policy of segregation, claim for themselves; but, following as it does on a promise to initiate a "long-range policy of tobacco research," this proposal must awaken memories of the unsympathetic attitude of elected members in Kenya a few years back towards non-European coffee. As it is, some Rhodesian legislators say that the Bantu should be forbidden to take tickets in the State lotteries.

* See THE ROUND TABLE, No. 67, June 1927, pp. 632-642, and No. 89, December 1932, pp. 214-219.

Southern Rhodesia and the Union

As for Labour's fear of absorption by the Union, Mr. Huggins has declared roundly against any such policy. He advocates rather "amalgamation" between Southern Rhodesia and the highlands of Northern Rhodesia, which carry the railway, the copper mines, and nearly the whole of the exiguous white population of that territory. The remainder of Northern Rhodesia would be administered as a native area by the Colonial Office either single-handed or jointly with the Rhodesian Government. And this is to come quickly, before the Northern Rhodesian railway becomes a "black" railway, like that of the Belgian Congo further north, where natives perform many of the duties that are reserved for Europeans in southern Africa.

For the rest, the United party proposes to encourage mining and agriculture, land settlement, and secondary industries, especially such as will work up the primary products of the country. Above all it has promised to defend that fiscal autonomy which is essential to the existence of a self-governing colony, or, as Mr. Huggins put it later in words that sounded strangely in the mouth of a Rhodesian Premier, of "a sovereign, independent State."

Finally, Mr. Huggins has announced that an outlet to the Atlantic was discussed in London and that inquiries were still proceeding. This is a matter of first-class importance to Southern Rhodesia. She is a landlocked territory, dependent upon Portuguese Beira and Delagoa Bay on the east coast, the far distant ports of the Union to the south, or on Portuguese Lobito Bay on the west coast. Generally speaking, Rhodesians want an outlet to the Atlantic, otherwise they must be pulled towards the Indian Ocean or, at best, towards the Mediterranean. They see three loopholes. One, Tiger Bay, is in Portuguese Angola and, therefore, probably out of the reach of diplomacy; the second, further south, is the mouth of the Kunene river, a most indifferent harbour; the third, and much their best hope, is further south still at Walvis Bay. The drawbacks here are distance and the fact that much of the line

South Africa

must run through the mandated territory of South-West Africa, whose railway system is treated as part of the Union's system. On the other hand, Rhodesians trust that neighbourliness and the limitations imposed by a "C" Mandate would prevent the Union from ever throttling their trade in this direction; they believe that the folk of South-West Africa are agreed, if in nothing else, in desiring such a railway; they hope that if His Majesty's Government hands over the administration of the intervening Bechuanaland Protectorate to the Union, it will strengthen their position by entrusting the northern portion to them.

Railway developments are still in the future, but the customs union is now a thing of the past. That union has a long history. Much of the inter-state politics of southern Africa from the middle 'eighties onwards turned upon customs and railway disputes. It is sufficient to say that by 1903 all the colonies and territories of British Africa from Table Bay to the Zambesi were united in a South African customs union which was based on internal free trade and a preference to British goods, and that the threatened breakdown of that fabric was one of the most powerful causes of the partial political Union of 1910.

For a long time all went well; but as South African secondary industries developed the Pretoria Government began to make commuted payments to Salisbury in lieu of the duties which would otherwise have been collected on the Rhodesian frontier in respect of Union products and exports northward from open stocks of British and foreign goods already in the Union. In spite of periodic increases, Rhodesians complained that these commuted payments were inadequate, and that they even constituted a veiled subsidy to Union industrialists. This growing complaint led latterly to a demand that Rhodesia should collect her own customs duties.

Meanwhile much worse had happened. Besides the gold which everybody wants, Southern Rhodesia has only two marketable exports in any quantity: cattle and

Southern Rhodesia and the Union

tobacco. Under pressure from its own farmers, whose political power is decisive, the Union Government raised barriers against both. The Smuts Ministry, on the eve of resignation, was about to give way; but it fell to its successor, the Nationalist-Labour pact Ministry of 1924, to prohibit the import of Southern Rhodesian meat and scrap tobacco and to set a high limit to the weight of cattle that might be imported. Then, with the coming of bad times and the complete victory of the Union Nationalists at the polls in 1929, both Governments began to scratch furiously for their own chickens. After one breakdown, a conference came to terms at Pretoria, imposed a stiff quota system on all Rhodesian tobaccos, and agreed that each Government should frame its own customs tariff. That Conference of 1930 really saw the death of the customs union. Henceforward it was a thing of shreds and tatters, of irritating restrictions, concessions and commuted payments. Both sides have now combined to give it decent burial.

The failure of the Cape Town conference of February, 1935, to renew the Customs Convention marks another stage in the long-continued drift of Southern Rhodesia away from the south. The original scheme of a South African customs union, as envisaged by Rhodes and Jan Hofmeyr and Lord Milner, was that it should be, like the German *Zollverein*, the foundation of a political federation. Rhodes, indeed, hoped that Rhodesia and the Cape Colony together would be the dominant partners in both associations. These hopes faded, but for many years everyone assumed that Rhodesia's manifest destiny was incorporation in the Union, and as late as 1922 a strong section of Southern Rhodesian opinion favoured that consummation. At the plebiscite of that year, however, the great majority rejected union with the South, partly from a natural desire to try their hand at self-government, but largely also because of three great dreads: dread of official bilingualism, of Pretorian centralisation, and of the flooding of their empty

South Africa

acres by the poor whites of the Union. Then came a series of blows on the political and economic fronts which hardened their resolution and practically wiped out the pro-Union section. The Union flag, the German commercial treaty, the Nationalist victory at the 1929 elections, the currency controversy in which the two Governments chose opposite sides, the irksome Customs Convention of 1930 with its hated quota on tobacco, an embargo for nearly two years on the export of cattle to the Union on the ground that there was foot-and-mouth disease in Rhodesia, and finally the Nationalist claims to the rights of neutrality and secession that accompanied and followed the passing of the Status Act, all drove them in upon themselves. Fusion in the Union came too late to check the drift. Besides, what had Rhodesia to hope even from Fusion? General Smuts in 1922 had not been able to conceal the fact that the three great dreads of Rhodesia must be accepted as a preliminary to incorporation; General Hertzog, ten years later and still in his pre-Fusion manner, had emphasised that fact, and even the pre-Fusion South African party had declared in favour of preserving the unitary framework of the Union, cold comfort to a people more federally minded than even the coastal Natalians. Many Rhodesians, *ipsis Anglis Angliores*, join with our Dominion party in regarding Fusion as a Nationalist victory.

On the Union side the expectation and, perhaps, even the desire of one day welcoming Southern Rhodesia as a fifth province has grown dim. South African farmers of whatever party colour have no wish to see Rhodesian cattle and tobacco inside their own ring-fence, not even the bright-leaf tobacco which they do not yet, and some say cannot, grow themselves. It is hard to blame them. Of the 100,000 Union farmers, one-fifth are wholly dependent on cattle, and seven-tenths partially so. One-fifth again rely more or less on their tobacco, and these include many of the poorest of our white agricultural community. Moreover, as Mr. Havenga, our Minister of Finance,

Southern Rhodesia and the Union

frankly admits, the local market is "practically the only market open" to both cattle and tobacco. But quite apart from economic considerations, there is a strong section of the Union Ministry, backed by an indeterminate body of opinion in the country, which holds that once the Union has absorbed the Imperial native protectorates it will be large enough, all the more as it has South-West Africa on its hands. They at least take Rhodesians at their word when they declare that "closer political association is further from realisation than ever."

Under such conditions there was no hope for a renewal of the Customs Convention. South Africa did not want Rhodesian cattle or tobacco; Southern Rhodesia wanted to collect her own customs duties; both parties were determined to foster their rival secondary industries, and both accepted the Ottawa principle that the home market was first and foremost for the home producer. Finally, if a customs convention was not to be the prelude to political union, why have one at all?

In spite of these obstacles, the Conference, sitting in the equable climate of Cape Town, concluded a trade agreement as a gesture of mutual goodwill. This agreement, which was initialled on February 13, is to hold good till March 31, 1937, and thereafter from year to year subject to three months' notice. It comes to this. A long list of agricultural and dairy products are to be excluded mutually except under special permit. Rhodesia may export annually to the Union 5,200 head of cattle of the customary weight (in the two years preceding the foot-and-mouth embargo she sent 9,000, and in 1930 a much greater number) or a proportionate weight of chilled beef, while the Union has promised special railway rates to assist the cattle-ranchers of both countries to find export markets. Half the previous quantity of Rhodesian tobaccos of all types is to be admitted for one year only, and thereafter a quota will be fixed according to the Union's needs. On the other hand, the export of Union Virginian leaf to

South Africa

Rhodesia is to be strictly limited. All other Union products or manufactures are to enter Southern Rhodesia either, as hitherto, on the free list, or subject to the rates levied on similar products of the United Kingdom less a rebate of from twenty to fifty per cent.

Northern Rhodesia is not affected by this trade agreement. The Union's agreement with that colony runs till June 30, 1936, and Southern Rhodesia has promised to rebate any duties paid on goods passing up to it from the Union. Southern Rhodesian critics of Mr. Huggins complain that the new arrangement guarantees free interchange of everything except what Rhodesia has to offer, and gives Union manufacturers and merchants a privileged market north of the Limpopo. The Premier himself goes very near to admitting this when he says that the agreement was the best Rhodesia could get and then only "after a bit of a struggle"; but he claims that it has set her free to seek markets elsewhere. In the Union, Nationalists, unchecked by the party loyalty that keeps ministerialists quiet on this issue, grumble that Rhodesian cattle and tobacco ought to be kept out altogether, while mercantile and manufacturing critics allege that the Union will lose trade to the value of £1,000,000 annually. To the former, Mr. Havenga replied, in effect, that there was a limit beyond which a Government could not go in barring trade with a friendly neighbour; to the latter he replied more bluntly and at much greater length that if they could not retain their Rhodesian markets with all their geographical advantages, plus a rebate of 20 per cent. and upwards over British goods, there must be something radically wrong with their methods, and that he for his part was not prepared to go on purchasing markets "by subsidising exports. . . . The whole thing is unsound." Amen to that.

Perhaps they are right who say that the agreement will make little difference to trade during the next year or two. Nevertheless, the fact remains that a new tariff barrier has

The Budget

been set up. And a tariff barrier is like a cactus hedge; it begins in a small way, but it grows like wildfire and is very hard to root out. Be that as it may, on April 1 (*absit omen*) Rhodesian officials began to collect customs duties at Plumtree, on Rhodes's Cape-to-Cairo Railway. So ends a long chapter of South African history.

II. THE BUDGET

A GENERAL review of the 1935 Parliamentary Session can with advantage, it would seem, stand over until the next issue; meantime it is necessary to summarise the main points in the Union's financial position as disclosed in its general and railway budgets.

The general budget was the twelfth presented by Mr. Havenga, as the Union's Finance Minister, and once again the good luck by which he has been attended through most of his career has held. Last year he predicted that the accounts for 1934-35 would just about balance. As a matter of fact the year has closed with a surplus of close on £3,000,000. The revenue for the year has been £38,673,000 and the expenditure £35,703,000. This favourable position is, of course, almost entirely due to the boom in the gold mining industry. Its influence, however, has been indirect rather than direct. The taxation received from the gold mines actually yielded about a million pounds less than the estimate; but nearly all other heads of revenue showed substantial excesses, which would not have been secured but for the stimulus of gold mining prosperity. Moreover, the shortfall in gold mining taxation was, viewed from the angle of permanent national interest, a matter for congratulation rather than otherwise. It was due almost entirely to the lowering of the grade of ore mined and to the large capital expenditures incurred out of profits on underground equipment and development—factors which, owing to the nature of the formula for calculating the gold mines excess

South Africa

profits duty, tended to decrease its yield, and both of which also make for an extension of the industry's life.

The application of an unexpected surplus is often a test of sound finance. Mr. Havenga has shown his customary conservatism on this occasion. A million is to be transferred to loan account and applied mainly to the writing down of losses on land settlement schemes, £500,000 is to go towards the liquidation of Pension Fund deficits, £500,000 is to be an initial endowment of a new National Roads Fund, £500,000 is to be devoted to the redemption of debt, and the balance is to be carried over into the new financial year.

For the year 1935-36, revenue on the previous year's basis was estimated at £38,350,000, and expenditure at roughly £36,350,000, leaving a surplus of £2,500,000, including the balance carried over. Of this, £1,700,000 is to be applied to additional expenditure and £800,000 to the relief of taxation. Apart from certain minor adjustments of postal rates (South Africa got back to penny postage last year), the main items of relief are in respect of customs duties, where all the increases imposed during the hard times of a few years ago have now been withdrawn, and income tax. Last year the limit of initial exemption was raised to £400, and a rebate of 20 per cent. of the normal tax was conceded. This year the rebate has been raised to 30 per cent., and the allowances for children increased from £75 to £100 each. The married man with three children and an income of £700 pays no income tax—if he has an income of £1,000 he will pay at the most about £11.

The items of additional expenditure are also not without interest. The sum of £536,000 is to be applied to increased subsidies to the provinces, as part of the general settlement of the provincial question of which some account will have to be given at a later date. A grant of £900,000, being the estimated yield of 3d. per gallon out of the 6d. per gallon charged as a customs duty on petrol, is to go to the National Roads Fund, which South Africa is at long last estab-

The Budget

lishing to supplement provincial highway activities. Next, £90,000 is to be used to finance a scheme for supplying milk to school children as an alternative to subsidising the dumping of the milk surplus in other countries. Finally, £170,000 goes as an increased grant to the Native Development Account, out of which native education is financed.

On the whole, it will probably be admitted, Mr. Havenga has used his surplus wisely; certainly he has sought to distribute his favours fairly. Yet there is some cause for apprehension in the extent to which national expenditure has been allowed to grow. With gold fluctuating between 140s. and 150s. an ounce, and with the Government able to take 50 per cent. of the excess profits, the financial picture is pleasant indeed to look upon. But in time, no doubt, the roseate hues will begin to fade. There will again be "swellings of the Jordan"—it will almost certainly become impossible to maintain the present high levels of revenue and expenditure—and South Africa would be wise to begin to ask herself how she will fare in that day.

It is, perhaps, of interest to record that one of the financial changes brought about under this budget is the substitution of a three-column for a two-column tariff. The minimum column contains the Ottawa preferential rates. The intermediate column, which is, for the present, to be the effective column, save in so far as preferential duties exist, consists in the main of the rates in the old maximum column. The new maximum column contains generally higher rates. The purpose of this change in the structure of the tariff is, of course, to facilitate the entry of South African products into the markets of other countries with which the trade balance is at present unsatisfactory.

It remains to add a word about the railway budget. There too a highly satisfactory position has been disclosed, and again the stimulation of traffic by gold mining activity has been a big factor. On the working of the year 1934-35 there was a surplus of over £3,000,000, which left close on £900,000 still available after deficits accumulated in the

South Africa

bad times had been disposed of. This surplus has been applied to the writing off of dead assets. In the framing of estimates for the new year the Minister (Mr. Pirow) has allowed for substantial benefits to the public and the staff (including the institution of a wages stabilisation fund), and as a result has left himself with a nominal surplus. It is a question whether he might not have done more to reduce railway rates, which in so big and so sparsely populated a country as South Africa tend to constitute a very heavy burden.

South Africa,
April, 1935.

NEW ZEALAND

I. MORTGAGE FINANCE

THE report of the Dairy Commission, which was tabled on October 17, 1934,* had recommended that the Government should set up a national mortgage corporation to provide farmers with long-term credit at the lowest possible rates. The Minister of Finance (Mr. J. G. Coates) promptly issued four articles on the subject for publication in the press, and they were collected in one of those blue pamphlets which are beginning to be associated with Mr. Coates's name. Mr. Coates and his advisers are to be commended for inaugurating a new procedure in the introduction of legislation. In the past we have too often had important measures of policy secretly incubated and then rushed through Parliament before the public or the interests affected have had the opportunity of studying the Bills or making representations as to their effect.

But Mr. Coates did more than expound the proposals for the establishment of a Mortgage Corporation and the rehabilitation of farmers' finance. Accompanied by his "Brains Trust" he travelled the country, hearing what the chief commercial and financial bodies had to say on his proposals and discussing his scheme fully and frankly with them. Representatives of commercial, financial and investment interests also expressed to the public, in a press statement published on February 4, their unanimous views on the Minister's plans. Mr. Coates's proposals were embodied in two separate Bills—the Mortgage Corporation Bill and the Rural Mortgagors and Tenants Final

* See ROUND TABLE, March, 1935, p. 438.

New Zealand

Relief Bill. The former was introduced into the House of Representatives on February 13. It provides for the establishment of the Mortgage Corporation of New Zealand, indissoluble except by Act of Parliament, with a capital of £1,000,000, of which £500,000 will be taken up by the Minister of Finance on behalf of the Crown. (Mr. Coates's pamphlet proposed that the whole of the share capital should be raised by public subscription.) The remainder is to be offered at par for public subscription (no one person to hold more than 5,000 shares). The rate of dividend is to be generally 4 (the pamphlet suggested $4\frac{1}{2}$) per cent. cumulative. The Corporation is to be managed by eight directors, four to represent the State, three to represent the shareholders and one to be an official of the Treasury. From the four State directors two joint managing directors are to be appointed for seven years, to be the chief executive officers of the Corporation. In the first instance the shareholders' directors will be appointed by the Government. The principal business of the Corporation will be lending on long-term mortgage of land.

The Corporation may issue bonds, stock and other securities—not guaranteed by the State—the total amount borrowed not to exceed 15 times (the pamphlet had made the limit 20 times) the paid-up capital and reserves of the Corporation. Loans are to be secured by first mortgage of land in New Zealand or of an interest in any such land; the Board may further lend money on a mortgage of stock or other chattels if in its opinion the Corporation's interests in any land mortgage will thereby be safeguarded. With certain exceptions the Corporation is not to lend in excess of two-thirds (the pamphlet proposed 70 per cent.) of the value of the security, but it may lend up to 80 per cent. to repay existing mortgages on farm lands, provided the Minister of Finance gives a guarantee against loss arising from this smaller margin. This provision, says the *Evening Post*, is "evidently intended to facilitate the writing-down of private mortgages at the expense of the community."

Mortgage Finance

Loans are to be on a table mortgage extending over 50 years, but the Corporation may in special cases make loans for five years, with the right of renewal for a further five years. The Corporation is to establish and maintain a general reserve fund, amounting to at least 10 per cent. of the Corporation's outstanding securities; every mortgagor must contribute 2 per cent. of the amount of this mortgage to the fund.

Mortgages held by the Crown under the State Advances and other land settlement schemes, and debentures held by the Crown in respect of advances to local bodies, are to be transferred to the Corporation. The rate of interest on the stock given in exchange is later to be fixed at the rate payable on bonds issued to the public, but the amount of such stock will not be determined, apparently, until all the State securities are realised. The doubtful margin will be covered by a "contingent liability."

This means (says the *Evening Post*) that the State will be involved in a certain loss representing the difference between the rate at which it borrowed for State Advances, land loans and similar purposes, and the rate at which the Corporation sells its first bonds. In addition there will be an uncertain loss representing the difference between the money lent by the lending departments and the realisable value of the securities.

In view of the large number of properties that have fallen into the hands of the State Advances Department since the slump began, the extent of this liability may be, as the *Post* suggests, hundreds of thousands annually and millions in capital. The Rural Intermediate Credit Board is to go out of existence and be replaced by the Corporation Board.

Such was the mortgage corporation plan submitted to the public. The following were the salient features of the unanimous report, published on February 4, of a conference convened by the Associated Chambers of Commerce, at which the Chambers, the banks, the life insurance offices and fire and accident underwriters, the

New Zealand

Law Society, the Stock Agents Association, the Investors Protection Association, the Building Societies Association and investment companies were represented. The committee considered that the main reason for the difficult position of many people in New Zealand to-day was over-borrowing and over-spending by all classes of the community, including local bodies and the Government. When as a remedy for this position it was proposed to increase facilities for borrowing the public must naturally be alarmed. The proper remedy would be to restrict rather than to expand borrowing.

The committee did not believe that the Corporation would be able permanently to stabilise mortgage interest rates at a low figure. Mr. Coates anticipated that the Corporation's bonds would carry interest at $3\frac{1}{2}$ per cent., but the committee was satisfied that to do this the Corporation would have to charge its mortgagors $4\frac{1}{2}$ per cent. interest or more. This allows 1 per cent. to cover administrative costs and contingencies, a margin which large-scale lenders have found scarcely adequate. In addition, the mortgagor will have to pay the annual reduction of principal and the contributions to the reserve fund. Even if the bonds could be sold to the public on a 3 per cent. basis, which is lower than the average market yield of government stocks to-day, the committee doubted whether the Corporation could relend to its borrowers at less than $4\frac{1}{2}$ per cent., and at the present time there is a large amount of money available for investment on mortgage at $4\frac{1}{2}$ per cent. and lower. Further, while there was much to be said for amalgamating the Crown's lending activities, the Corporation would be unwieldy in size and incapable of sound and economical management. Executive officers would not be easily found capable of handling approximately £50 million of mortgages. The aggregation of mortgages into one channel would greatly facilitate and accentuate political pressure from mortgagors. The committee pointed out the danger of the Corporation's having to refinance its bond issues at high interest rates while it still had a large propor-

Mortgage Finance

tion of its funds locked up in long-term advances at low rates. They also called attention to the grave risk of an inflationary increase in land values and a speculative boom in land. In their view, the inclusion of £2,750,000 worth of local-body debentures in the reserve fund would be wrong in principle and unsound in practice. They suggested that State appointments should be diminished progressively as the State disposes of its Mortgage Corporation bonds, and should cease altogether when the State had disposed of the whole of its holding.

The committee did not agree that the bonds would merit the status of trustee investments; for the Corporation would have power to lend on stock and chattels, which have never been authorized trust investments, and to lend up to 70 per cent. (reduced by the Bill to two-thirds) of the value of the security. Moreover, there was no fixed period for the redemption of the bonds, which would fluctuate in value with varying interest rates and would not be regarded by trustees as gilt-edged securities.

The committee doubted whether any system of valuation could be devised that would adequately discriminate between the competent and the incompetent farmer. Finally, the very involved proposal of a suspense account for taking over the current mortgages of existing state departments was, in their opinion, unsound.

The committee therefore regarded the proposals for the Mortgage Corporation as unsound and dangerous, and they considered that private mortgages and State mortgages should be dealt with separately. As regards State mortgages, in view of the large sum involved, they proposed that District Boards should be set up and given full powers (comparable with those possessed by individual mortgagees) of varying contracts by mutual arrangement with the respective mortgagors. As regards private mortgages, the necessary adjustments between mortgagees and mortgagors were proceeding satisfactorily under existing machinery. Ample finance was available at cheap rates to

New Zealand

refinance existing mortgages as and when this became necessary and advisable. If it should be found that there were insufficient facilities for long-term lending on a table basis, the proper course would be to encourage the formation of new private institutions of modest size on a district plan and free of government control.

The long discussions on the Bill at the second reading and committee stages revealed clearly that there was no enthusiasm either in the House of Representatives or in the country for the creation of the Mortgage Corporation as proposed by Mr. Coates, and that if members had been free from party shackles the Bill would have been defeated. As it was, the Government's majority on divisions was generally only 7 or 8, and on more than one occasion even less. The Bill satisfies no one. It does not satisfy the farmers, avowedly, because they consider that a semi-private corporation cannot provide them with money at as low rates of interest as a purely state department, and, unavowedly, because such a corporation will not be as amenable to political pressure by mortgagors as an exclusively state institution. On the other hand, the extent to which the Government will be concerned in the Corporation has caused general uneasiness at the danger of the latter's being susceptible to political influence by "mobilised mortgagors." Mr. A. D. McLeod, a former Minister of Lands in the Reform Government, declared that ever since its inception the State Advances Department had been made the "plaything of politics." Originally intended for the improvement of farms, under political pressure it had been utilised for property purchases and the conversion of private mortgages. Political pressure raised the margin of lending from 66 to 75 per cent. of the mortgage value, and to 95 per cent. for home building for workers. The total amount of the losses sustained by the Department on its mortgages is known to be very large, but has never been disclosed. The grounds of opposition to the Bill by the commercial community have been already set out.

Mortgage Finance

The Bill was opposed root and branch by the Labour party on the grounds that with the rehabilitation scheme it would turn farmer-mortgagors into serfs through subservience to budgetary control, and that the state lending institutions which had done such valuable service were to be succeeded by a semi-private corporation, which could only borrow and could not utilise the credit of the State by the issue of money. If the State adopted this course, apparently involving a liberal use of the printing press, if it readjusted mortgages under state control and if it guaranteed prices for products and services which would enable the producers to meet their obligations on the new basis, the problem would be solved. This, said the leader of the Opposition, Mr. Savage, would mean putting the nation in complete control of its monetary system, but why should not that be our immediate objective? The Minister of Finance, in assuring the House that the interests of returned soldiers would be duly protected, suggested that if the Government transferred mortgages to the Corporation it could take them back again. Consternation was expressed at the limitation of home-building advances to two-thirds of the value, and it was said that the worker could never find the remaining one-third. Mr. Coates then announced that he had a plan for the removal of slums and for home-building up his sleeve. Amendments to the Bill restored the dividend on the shares to $4\frac{1}{2}$ per cent. and provided for the appointment of associate directors for districts under the Management Board. The third reading was carried by a majority of 12, and the Bill was passed by the Legislative Council with a few minor amendments.

Meantime the Rural Mortgagors and Tenants Final Relief Bill, known as the Rehabilitation Bill, had been introduced on March 12. The Bill differed in some important respects from the proposals in Mr. Coates's pamphlet. Hitherto relief has been given to mortgagors, through extending the time for payment and through reducing or remitting interest, by Adjustment Commis-

New Zealand

sions, subject to the final decision of the appropriate Court. Speaking generally, the new Bill applies only to farmer-mortgagors and to mortgages executed prior to April 17, 1931 (the date of the passing of the Mortgagors Relief Act of that year), and the protection given is in substitution for that given by the Mortgagors and Tenants Relief Acts.

Either party to a mortgage may file a notice to have the mortgagor's liabilities adjusted. Meetings of creditors are then to be held under the auspices of the Adjustment Commission, and efforts made to secure a voluntary settlement, which will be subject to the Commission's approval. If such a settlement is arrived at, its terms are to be filed in the Court of Review and to operate as an order of that Court, which is a special Court with power to make such orders "as it deems just and equitable" (not subject to review or appeal) and consists of a Judge of the Court and two other members. Decisions of the Adjustment Commission are subject to an appeal to this Court. If negotiations for a voluntary settlement fail, the Adjustment Commission is to consider the position of the mortgagor in order to determine whether or not he should be given further protection from his creditors. This will be given if he has a prospect of carrying on and satisfying his reduced liabilities, but if his position is hopeless or if his manner of farming is not satisfactory he will be left to his fate.

If the benefits provided by the Bill are to be given to the farmer, a "stay order" (a procedure which has been in force in New South Wales since 1933) is to be made by the Court of Review, giving the mortgagor immediate protection from proceedings by his creditors to enforce their rights; his farming operations are to be placed under the supervision of an Adjustment Commission; a budget is to be prepared showing his estimated income and expenditure; he is to be allowed reasonable living and working expenses, and the balance of his income is to be distributed among his creditors in accordance with certain general rules. In ordinary cases the mortgagor is to remain

Mortgage Finance

under budgetary control for five years (the pamphlet contemplated a second period of five years before the mortgagor could get his final quittance). At the end of this period the Court is to determine the amount of the mortgagor's equity by ascertaining his net income during the budgetary period and capitalising it. The capital sum so ascertained is to be "the productive value of the lands." The productive value may be modified by other specified circumstances so as to determine the "basic value," upon which the Court is to fix the value of the mortgagor's equity in all the farm property. This may be up to 20 per cent. of the basic value but must not exceed that percentage to the detriment of creditors, whether secured or unsecured. (In the pamphlet 20 per cent. of the valuation was to be the equity to be allowed to the farmer.) The Court is to divide the mortgagor's equity between the land and the stock or other chattels. The amount appropriated to the land is to be deducted from the aggregate amount secured on the land, and the amount appropriated to the stock or other chattels is to be deducted from the aggregate amount secured on the chattels. In each case the excess over the amount so appropriated is to be discharged from the mortgages affected and to become an unsecured debt. The reduced amount of the mortgages is to be made repayable in five years, bearing interest in the meantime at a special rate fixed by the Court. The Court is then to ascertain what (if any) assets are available for unsecured creditors. These assets will include all the mortgagor's property other than his farm property, and so much of the value of his farm property as exceeds the sum of (a) his adjusted mortgages and (b) the value of his equity.

The committee of financial interests, reporting on the original rehabilitation proposals, held that the risk of a competent and efficient farmer's being put off his property by the mortgagee was infinitesimal, and that it was very doubtful whether it was in anyone's interest that incom-

New Zealand

petent farmers should be allowed to remain on their farms. The relationship between the mortgagee and mortgagor was not one of partnership in sharing losses but not in sharing profits. Many mortgagors had borrowed the full value, and more than the full value, of their properties. Final equitable adjustment was impossible, owing to the violent and unexpected fluctuations of the prices of primary products.

The Bankruptcy Act, said the committee, provides adequate machinery for the settlement of creditors' claims if a person is insolvent. If sacrifice is necessary to maintain primary industry, it should be shared by the whole community and not demanded of one class only, the farmers' creditors. The present proposals would involve the ultimate bankruptcy of a large number of country storekeepers, who had done their share toward keeping the farmer on the land and whose difficulties were largely due to the inability of farmer customers to pay for goods bought. The committee denounced the proposal to allot arbitrarily to the farmer a 20 per cent. equity on his property, whether it existed or not. If any proposal of this nature were given effect to, the amount of such equity should be determined by an impartial tribunal and should be subject to a modest maximum limit not based on a percentage of a valuation of assets. This latter suggestion, it will be seen, influenced Mr. Coates in modifying his original proposal.

The committee urged that the established priorities and relative rights of creditors be left untouched, and considered that there should be an appeal from the Court of Review to the Court of Appeal. They suggested, in amendment of the not altogether satisfactory relief legislation, that the existing Adjustment Commissions be reconstituted on the lines of the proposed special Court of Review—that is, an independent chairman and two associate members, one representing mortgagors' interests generally, and one representing mortgagees generally. On the introduction of the Bill the committee issued a further report in which they

Mortgage Finance

estimated that only 10 per cent. of farmers in the Dominion could claim the benefit of the proposed legislation.

When moving the second reading of the Bill Mr. Coates intimated that, while his own views on its provisions remained unchanged, the Government in deference to objections had decided to withdraw the clause providing that in certain cases a farmer might be granted an equity up to 20 per cent. and also to abandon the proposal for the appointment of supervisors. Mr. Downie Stewart pointed out that by eliminating the equity clause the Minister had disembowelled the Bill, and urged the Government to postpone its further consideration until next session, as the present legislation for the relief of mortgagors was working smoothly. However, after some preliminary skirmishing—no doubt to enable Mr. Coates to draft his provisions in substitution for the equity clause, which had evoked such opposition in the Government caucus—the amendments were circulated on March 28. The Adjustment Commission is to determine the basic value of the property (mainly on the basis of production during the stay-order period). The mortgagor or mortgagee may appeal against this determination to the Court of Review, which may sit with assessors and hear expert evidence. When the basic value is thus fixed by the Court, mortgages are to be written down to that amount. The sum written off will be treated as an unsecured debt. After the mortgages are written down the Court is to decide whether the mortgagor shall remain in possession of the property, or the mortgagee may elect not to continue in possession. In either event the mortgagee may by leave of the Court take over the farm lands; if not taken over, they shall be sold by auction, the mortgagor having a claim for compensation, representing the difference between his maintenance and a fair remuneration for his services during the stay-order period.

In the Legislative Council, where the Bill was keenly contested, this compensation clause was much criticised,

New Zealand

and was carried only with the proviso that payment of compensation should not be a cause of undue hardship to the mortgagee. The Council proved its value as a revising chamber by a thorough review of the administrative provisions in the public interest. After conferences between Managers for the two Houses the Bill eventually became law.

II. NATIONALITY OF WOMEN

THE British Nationality and Status of Aliens (in New Zealand) Amendment Act, 1934-35, adds to the complications of special nationalities within the Empire. The Act adopts the provisions of the Hague Convention of 1930 so far as adopted in England, by enacting (with the necessary modifications) for New Zealand section 1 of the British Nationality and Status of Aliens Act 1933 (Imperial). Briefly, this section provides that a woman shall continue a British subject if on her marriage or on the change of nationality of her husband she did not acquire the nationality of her husband, and also that the wife of an alien who is a subject of a State at war with His Majesty may resume her British nationality. The Amendment Act, furthermore, gives special rights to women in New Zealand by section 3, which is as follows :—

(1) This section shall apply to every woman who at the time of her marriage to an alien, whether before or after the passing of this Act, was a British subject and who, by reason of her marriage, has acquired the nationality of her husband.

(2) Any woman to whom this section applies (whether her marriage is still continuing or not) may, at any time within twelve months after the passing of this Act (in the case of a woman married to an alien before the passing of this Act), or within twelve months after the date of her marriage (in the case of a woman married to an alien after the passing of this Act), or in either case at such later time as the Minister of Internal Affairs may in special circumstances allow, make a declaration in the prescribed form and manner that she desires to retain while in New Zealand the rights of a British subject, and thereupon she shall, within New Zealand, be entitled

The International Outlook

to all political and other rights, powers, and privileges, and be subject to all obligations, duties, and liabilities, to which a natural-born British subject is entitled or subject.

The chief of such privileges are the right to vote at parliamentary elections and to qualify for pensions.

The Act may easily lead to similar complications as did the status of an alien who was a naturalised British subject in New Zealand but an alien elsewhere in the Empire. In order to overcome this difficulty we passed the British Nationality and Status of Aliens (in New Zealand) Act, 1928, adopting the Imperial Act that enabled a Dominion to grant a certificate of naturalisation which would give the person naturalised the status of a natural-born British subject throughout the world.

III. THE INTERNATIONAL OUTLOOK

ALTHOUGH the present session was specially convened for the passing of the Government's measures for rehabilitating the farmers, on February 19 the Prime Minister (Mr. G. W. Forbes) made a welcome departure from the usual practice of secrecy on international affairs by giving to the House of Representatives a clear statement of the present international position, especially with regard to the obligations of the members of the League of Nations and the proposed regional pact against air aggression between the Locarno Powers. His remarks on the duties of members of the League were especially well-timed, since it has become fashionable for the Dominions, while asserting their sovereignty and independence, to repudiate their obligations to use arms either to defend the British Commonwealth of Nations or to enforce the application of the principles of the League Covenant.

The following were some of the high lights of Mr. Forbes's lucid speech :

It is not sufficient to pass resolutions in favour of disarmament, as is so widely done throughout the world ; it is not sufficient that

New Zealand

all peoples, generally speaking, urgently desire peace and disarmament; it is not sufficient to have machinery set up to deal with international disputes; none of these things is sufficient unless and until each nation can and does feel that the security of its people is fully safeguarded without arms. . . . At the present time no prudent Government, responsible for the lives and well-being of millions of people, could possibly feel that their security is fully safeguarded without armaments. . . . Another very important point to consider is that unless the mere existence of these guarantees is sufficient—and this is the basis of the whole proposal—to prevent the unprovoked aggression which it is intended to prevent, then the inevitable consequence of any application of such guarantees as Locarno and the present proposals is war.

My final comment is addressed directly to the people of this country. The British Dominions are not parties to this proposed pact, just as they were not parties to the Treaty of Locarno; but if the arrangement comes into force, and if ever the nations that are parties to the arrangement are required to apply the proposed guarantees, then there must be no blinking the fact that if Great Britain became involved in war New Zealand would also be involved. This is so, not only because of the legal position as we accept it in New Zealand (though there is some difference of opinion on this matter in certain other Dominions), it is so because the sentiment of this country would inevitably insist on New Zealand's standing shoulder to shoulder with Great Britain in such circumstances; and, even were these two reasons absent, any catastrophe that affects Great Britain must inevitably affect New Zealand also, bound up as we are in the welfare of the Old Country. . . .

Whatever one's point of view, I am confident that all will share the opinion that the Old Country has once again taken a bold and courageous step, and has again shown her willingness to face a risk in the interests of world peace and the security of mankind.

IV. THE DUKE OF GLOUCESTER'S TOUR

“GIVE a man a horse he can ride” might have been adopted as the leitmotiv of the Duke of Gloucester's desires during his triumphal progress throughout New Zealand. At Marton races he insisted on competing in one of the events, despite (it is rumoured) a protest from a high authority. In polo matches he gave the crowd a taste of his quality, and at Christchurch he went off to the

The Duke of Gloucester's Tour

Riccarton race-course early in the morning and helped to school gallopers. In these Royal progresses it is the human side of His Majesty's representatives that makes the strongest appeal to a loyal people, and if His Royal Highness sometimes found the long-drawn-out programme of official welcomes irksome, and departed from the arrangements made for him, he had the heartiest sympathy of the man in the street in showing himself a man and not a mere automaton. In a country such as New Zealand it goes without saying that he had a stirring and enthusiastic reception.

But it is time that the technique of Royal visits was revised. We have progressed very little since our first visit from a Royal Prince, the Duke of Edinburgh. Our guest is forced to visit every hamlet and back-blocks township that time will permit, to receive and reply to innumerable loyal addresses from mayors and municipalities, to review guards of honour and lay foundation stones, to witness mass demonstrations by school children, magnificent but monotonous. He is allowed ten minutes in this institution, ten minutes in that club, and then is rushed on to the next place at a breakneck speed. It is true that the Duke of Gloucester was given opportunities of a glimpse of the chief beauty spots of New Zealand, of fishing and other sports, of visits to typical sheep stations, where among the musterers and shearers and the regular operations of station life he took off his coat and joined in the work like one of the hands, these experiences being obviously among the greatest enjoyments of his trip. This is all to the good; for our Royal visitor not only has the chance of rest and relaxation but learns something of our farming operations and resources. But nowadays, when the Crown is the "symbol of the free association of the members of the British Commonwealth of Nations," which are "united by a common allegiance to the Crown," when the proposal is mooted of strengthening that union by the appointment of one of the King's sons as Governor-

New Zealand

General of a Dominion, something more than formalities and sport is required.

Two things can safely be taken for granted : on the one hand the loyalty of New Zealanders to the Crown, on the other their full recognition of the fact that His Majesty and all the members of the Royal family put duty to the Commonwealth before all other considerations, and discharge that duty cheerfully, untiringly, and with an affectionate sympathy for all His Majesty's subjects. It should suffice, then, if the Prime Minister presented one loyal address to our Royal visitor, who would express in reply the interest that the King took in our particular Dominion. Thereafter formal functions should be reduced to the minimum and the Royal visitor should be given the opportunity of meeting the leaders of political parties, and those eminent in science, commerce, education and labour, and obtaining first-hand knowledge of our problems and of our currents of thought, so that on his return to the heart of the Empire he should have an intimate knowledge of our Dominion and especially of the particular angle from which "this people views the continuation of the Commonwealth and the future co-operation of its component parts."

V. LORD BLEDISLOE'S DEPARTURE

THE Governor-General left New Zealand on March 15 to the universal regret of the people, to whom he and her Excellency had endeared themselves. Lord Bledisloe has shown what a wide sphere of action is open to the representative of the King, even outside political and controversial territory, the boundaries of which he has crossed but rarely. He can arouse and develop a national and historical consciousness, awaken civic conscience, lift to a higher plane our co-operation in good causes, and stimulate interest and activity in movements for the welfare of all classes.

Lord Bledisloe's Departure

His addresses have combined an earnestness of purpose and vision, a felicity of expression, and counsels at once practical, sage and inspiring, that deserve preservation as some record of the great public service that he has performed during his tenure of office. The whole of this article would hardly suffice to chronicle the details of that service. He has been generous with his gifts for the encouragement of education, agriculture, aviation, art, horticulture and sport, culminating in the gift by himself and Lady Bledisloe of the historic site where the Treaty of Waitangi, the Maori Magna Charta, was signed, together with the surrounding country, for a national park. His understanding of and sympathy with the Maori has been one of the outstanding features of his proconsulship. He has appealed for the preservation of our forests and the protection of our native birds and flora, and his advocacy was largely responsible for legislation on the subject. He led a movement against the defacement of our countryside by advertising hoardings, and substantially succeeded with the motor companies but failed to convert the worst offender of all, our Railway Department. He has given sound practical counsel to our farmers on the problems that face them, and diplomatic advice upon their attitude in the present difficult situation. In short, he has not only been the representative of the Crown in the Dominion, but he has so identified himself with the country as to entitle him to be regarded as a New Zealander by adoption, who can be relied on to see that New Zealand's case is placed in its true light before those responsible for the economic and general policy of the United Kingdom.

New Zealand,
April 1, 1935.

ARTHUR RICHMOND ATKINSON

In A. R. Atkinson THE ROUND TABLE has lost not only one of its most able contributors, but also a charming friend whose literary and bibliographical knowledge seemed inexhaustible, and whose visits to England had been a recurring pleasure to all who knew him here. The following obituary article is contributed by the Round Table group in Wellington.

ON March 26 last there died in harness at the age of 71 Arthur Richmond Atkinson, one of the original members of the Wellington Round Table, the first group in the Empire formed by Lionel Curtis in 1910. From that time until the date of his death he had been a frequent contributor of the New Zealand article in THE ROUND TABLE and a keen participator in all the work of the group. He was an Imperialist of the old school, who believed that an Empire should *be* an Empire, with mutual obligations of its members for each other's defence and with practical recognition of the fact that adequate sea power is essential for its existence. In his writings and his speeches he strove with the vigour of language of which he was master to arouse the Dominions, including New Zealand, to a sense of their duty in bearing their fair share of the expense of an Imperial Navy. He believed in the Empire's having effective machinery for agreement upon and giving effect to a common policy. He viewed with apprehension the progress towards the Empire's disintegration which, as he thought, had characterised the development of the Dominions' independence and their continual assertion of

Arthur Richmond Atkinson

their rights coupled with their repudiation of any obligations.

At Corpus Christi, Oxford, where he was associated with Sir Arthur Quiller-Couch, the two Newbolts, Younghusband and A. Grenfell, he developed his ability as a speaker, his literary style and his gifts of humour and irony. In *My World as in My Time* Sir Henry Newbolt describes him as an excellent classic and an expert bibliophile, and eulogises the grave and measured dignity of the tone of one of his speeches, in which the audience felt "they were listening to the voice of the man who wrote the speeches in Thucydides."

Called to the Bar at Lincoln's Inn in 1887, on his return to New Zealand he acted for a while as associate to his uncle, Mr. Justice Richmond, and in 1892 he began practice in Wellington. That practice he continued—with the aid of partners—until his death, and from 1915-1919 he was Editor of the New Zealand Law Reports. For many years past, however, he devoted himself mainly to literary work, in which his lucid and vigorous style, his humour, sometimes light and sparkling, sometimes mordant, his encyclopædic knowledge and retentive memory, aided by the fine library that he continued to accumulate throughout his life, placed him in the foremost rank of literary journalists. As writer of leaders and of the "Bookman" column in the *Wellington Evening Post*, as the New Zealand correspondent, first of the *Morning Post* and then of the *Times*, and as contributor to THE ROUND TABLE, he played a great part in the formation of public opinion and exercised his influence to create a sane and patriotic support for the maintenance of the British Empire. He was at his best in dealing with some foreign or international topic, in which he could blend and apply some parallel from the historic past. It mattered not at what short notice or upon what subject he was called upon to write, he was always ready to illuminate it by some extraordinarily apt historical reference or quotation.

His memory will be cherished by those associated with

Arthur Richmond Atkinson

him for the stubbornness and tenacity of opinion, the frankness and outspokenness of utterance, the rugged honesty and independence of nature that characterised him as they characterised his uncle, Sir Harry Atkinson, soldier, farmer and Prime Minister in troublous times.

In the Wellington City Council he resisted curtailment of public rights ; and during the three years in which he sat in Parliament he proved himself a keen, vigorous and independent critic. But there was in Atkinson too much of the spirit of Coriolanus for the hustings—"Rather than fool it so, let the high office and the honour go to one that would do thus"—and Parliament saw him no more after 1902. He transferred his public services to university education and was for some years a member of the Council of Victoria University College. One of his great and enthusiastic interests was his advocacy of prohibition. From 1920 to 1922 he was president of the New Zealand Alliance for the Abolition of the Liquor Traffic, and his counterblast to a pamphlet against prohibition by Professor Salmond (father of the jurist, Sir John Salmond) was one of his most brilliant controversial efforts. He was a keen defender of our secular system of education and a regular opponent of "Bible in Schools" legislation. When the National Defence League was formed* Atkinson was in the forefront of its agitation, which led to the adoption of the principle of compulsory military training.

By his will he continued after his death the public services he had rendered during his life, dividing his library of some 25,000 volumes among the four chief libraries of Wellington and the residue of his estate among public educational and social institutions.

New Zealand,
April, 1935.

* See THE ROUND TABLE, No. 3, May 1911, p. 352.

